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FOREIGN AFFAIRS

SEPTEMBER/OCTOBER 1994

The Recovery of Internationalism

Salvaging Clinton's Foreign Policy

DAVID C. HENDRICKSON

Why the U.N. Fails

SAADIA TOUVAL • GIANDOMENICO PICCO

Russia's Success Story

ANDERS ÅSLUND

The Baltic Litmus Test

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SEPTEMBER/OCTOBER 1994
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The only inflation these days is in the Fed's fear of rising prices. Open global markets will keep prices down. Interest rate hikes will only dampen economic growth. The Fed must unleash the American economy.

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Land mines, the deadly remnants of so many civil wars, kill and maim thousands of innocent civilians throughout the world each year. Only a concerted international effort will end this purposeless bloodshed.

The U.N. and the Use of Force *Giandomenico Picco* 14

A blurring of roles at the United Nations has badly tarnished the organization's prestige. When it comes to the use of force, leave the secretary general out of it.

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President Clinton has tried to pursue a foreign policy agenda even more ambitious than his predecessor's. But as international realities and domestic priorities become clear, he has been forced to retreat in area after area of policy. The resulting flips and flops of policy toward Bosnia, Somalia, Haiti, North Korea, and

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China have undermined U.S. credibility. But more important, they risk making Americans turn inward in dismay, forsaking the prudent internationalism that has characterized American foreign policy since World War II. Let us abandon a kind of leadership we are not prepared to exercise on behalf of a world order the price of which we have no intention of paying.

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Its diplomatic debacles in the past few years demonstrate one thing: the United Nations cannot mediate. It has too many mouths to speak with one voice, lacks the resources needed for political leverage, and diminishes the credibility of its own promises by its incoherence. Those problems are ingrained in the nature of international organizations, and no amount of revamping the United Nations will correct them. Instead, the United Nations should encourage self-interested states to mediate those conflicts they have the best chances of resolving. That is the best way to salvage the organization's steadily diminishing prestige.

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The Western perception of Russia as a destitute country on the verge of collapse or of falling into the hands of fascists could not be further from the truth. Much of the Russian economy has been successfully privatized and is now relatively strong. Russia possesses the basic political and economic institutions to oversee the final stages of its transition to a market economy. It must now move to combat crime and to control inflation by finally adopting a full-fledged economic stabilization program. Even if they don't quite know it yet themselves, the Russians have already turned the corner on success.

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Lithuania, Latvia, and Estonia should be watched closely as barometers of Russia's progress toward better relations with the West. Besides their strategic borders with Russia, these nations have been the historical harbingers of Moscow's intentions abroad, as their early revolts presaged the collapse of the Soviet empire. The Baltic states are still subject to a "demographic occupation" by postwar Russian immigrants, even if Russian soldiers have finally left. For those in Moscow who still harbor designs on the "near abroad," a greedy eye will focus on these newly independent nations first. Western nations, particularly the United States, must steel their resolve and preserve the place of the Baltic states in the new Europe.

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Rwanda is only the latest example of what happens when small arms and light weapons are freely sold to countries plagued by ethnic, religious, and nationalist strife. These weapons cause the most death and destruction in local wars and are closely tied to human rights abuses and other violations of international law. Yet the world has focused predominantly on controlling the proliferation of major weapon systems. It is time to establish a viable mechanism to monitor and control small arms transfers. The United States should take the lead in this difficult but increasingly urgent task.

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The World Bank Group was a child of World War II, conceived to help developing countries build infrastructure, establish the foundations of economic self-sufficiency, and indirectly nurture political stability. But it should not retire at the

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age of 50. The bank's mission should be revised to benefit from the colossal growth of private sector financial resources and to help coordinate the work of nongovernmental organizations. A good first step would be more openness about its work.

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Germany, the grandmother of social welfare states, is being forced to take a hard look at its long tradition of generous social benefits for workers (and now for eastern Germans as well). Lengthy paid vacations, guaranteed jobs, cash-heavy unemployment benefits, and labyrinths of regulations are conspiring to set up daunting hurdles to a competitive economy. Starting a new business is laborious; hiring workers is expensive compared with elsewhere; and the country's once-renowned education system is stagnant. Even worse, when German baby boomers are ready to claim their hallowed pensions, the money may not be there. Germans will have to pen a new social contract for the 21st century.

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Editor's Note

Restraining Prometheus

Think back to the presidential campaign of 1992. At the time, it seemed that Bill Clinton was giving short shrift to foreign policy. And indeed he was in terms of time devoted to international issues. But when he addressed the subject, the candidate made up for an absence of quantity with a sweep of expansiveness. In a wide-ranging assessment of Clinton's foreign policy, political scientist David C. Hendrickson finds the president's problems began with the "political poker" of his campaign against George Bush. Hendrickson writes in this issue of *Foreign Affairs* that Clinton's strategy was to "see all bets the incumbent had placed and then raise him."

Hendrickson observes that "there was scarcely any item on the wish-list of contemporary American internationalism—preventing aggression, stopping nuclear proliferation, vigorously promoting human rights and democracy, redressing the humanitarian disasters that normally attend civil wars—where Clinton promised a more modest U.S. role."

But once in office, Clinton quickly discovered that he could not honor his promissory notes on foreign policy without dimming the laser beam of attention he had also promised to focus on "America's internal renewal." Nor did he discover much public or allied support for bold, potentially adversarial engagements, particularly since vital interests proved elusive rationales. Clinton put at risk the prudent internationalism that had kept the United States steadily engaged in the world since 1945. Like Woodrow Wilson, President Clinton had articulated such an "extravagant" version of internationalism that he risked provoking a return to isolationism.

Hendrickson concludes that the central task must now be "to save American internationalism from itself, to salvage it by reining it in." He makes his case by examining how the United States has pursued democracy and human rights in Haiti, Cuba, and China; nonproliferation in North Korea and Ukraine; and interventions in Bosnia and Somalia.

Hendrickson counsels a return to the "sensible middle ground" of Cold War internationalism, where the United States patiently practices containment and deterrence when necessary, based on a serious consideration of the perspectives of our allies in Europe and Asia.

RUSSIA ON THE REBOUND

U.S. policy toward Russia is one foreign policy initiative that may prove out for Clinton. He has consistently treated Russia as an emerging "normal" state with the potential to be a cooperative partner on a number of international issues. For this to be a well-placed bet requires continued

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progress by Russia toward its versions of market economics, pluralist politics, and the rule of law. Such may be happening and in firmer fashion than many news accounts have indicated. So reports Anders Åslund, the noted Swedish economist and former adviser to the Russian reformer Yegor Gaidar. The latest data, as well as on-site inquiries, convince Åslund that Russia now has functioning political institutions and a market economy, albeit one in the midst of "a long-overdue and massive restructuring." It is a Western caricature, Åslund asserts, that Russia is "a destitute country on the verge of collapse or falling into the hands of fascists."

Åslund credits Prime Minister Viktor Chernomyrdin for sustaining progress through a combination of pragmatic consensus politics and targeted firmness on budget-busting entreaties from the military, agricultural managers, and the like. Åslund recognizes that much remains to be done—halving 100 percent inflation, containing crime and corruption, developing sensible legal and tax systems, and engaging the population politically by explaining the transformation to a market economy. He concludes that "Russia has now entered the stage of ordinary politics" and at last has become "a relatively predictable country."

Clinton also receives praise from Swedish Prime Minister Carl Bildt for positively influencing the evolution of Russia's relationships with the once again independent countries of Estonia, Latvia, and Lithuania. Though small, these three strategically located countries provide "the great test of the relationship between Russia and the West." Were Moscow to question the sovereignty or undermine the independence of the Baltic countries, it would renew the perception of Russia as a threat to the international system, undermine efforts to couple European integration with a working relationship with Russia, and sink U.S.-Russian cooperation on a security order for Central and Eastern Europe.

INTERNATIONAL SHORTFALLS

In other *Foreign Affairs* articles, businessman James D. Robinson III chides the Federal Reserve and financial markets for constricting global economic growth by acting on misplaced fears of renewed inflation; journalist Amity Shlaes examines the suffocating effects of regulations and social entitlements on business expansion in Germany; economist Henry Owen recounts the successes of the World Bank over the last 50 years and prescribes changes needed to ensure another half-century of achievements; and former diplomat Giandomenico Picco and political scientist Saadia Touval offer remedies for current U.N. failings in mediation and conflict management.

U.N. Secretary General Boutros Boutros-Ghali and Human Rights Watch associates Stephen D. Goose and Frank Smyth decry the terrible effects of land mines and small arms in this era of civil and ethnic strife. Both articles call for specific international actions to contain the damage.

Lastly, scholar Walter Laqueur labels "shortsighted" the cutback in America's public diplomacy in this time, marked more by disorder than by any consensus on what should constitute a stable and equitable international system.

James F. Hoge, Jr.
Editor

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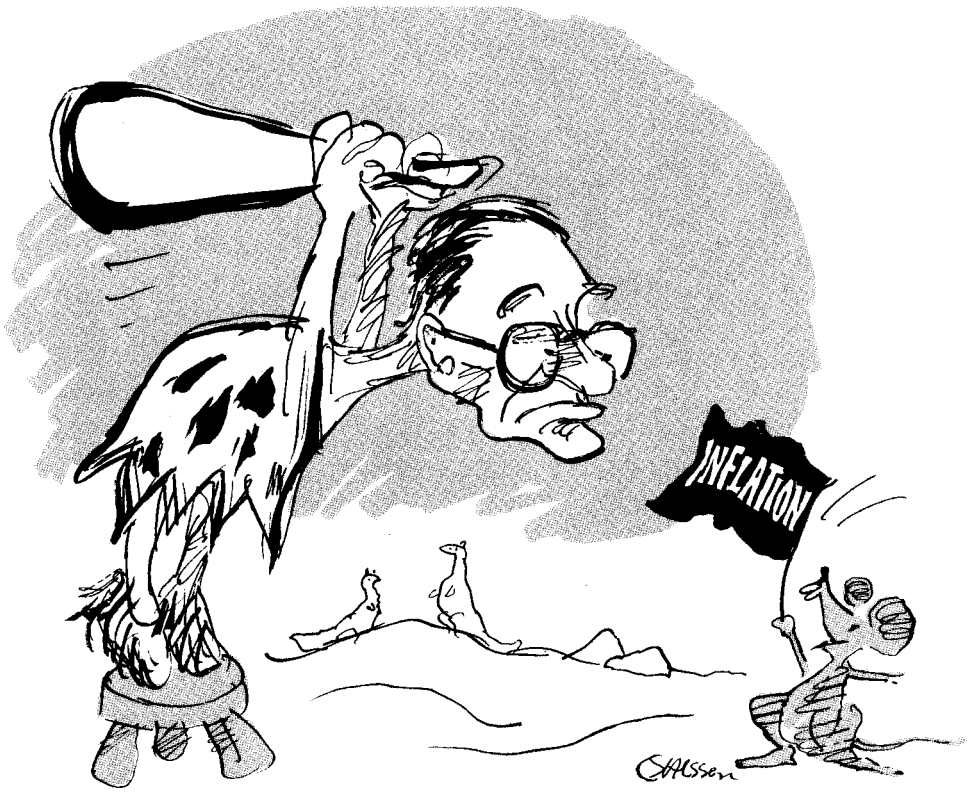

"America's central bankers are fighting the inflation wars of times gone by."

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Inflation Overkill

Moving the Fed into a Global Age

James D. Robinson III

In its zeal to fight inflation, the Federal Reserve has raised interest rates several times this year. America's central bankers have focused on the usual set of statistics—growth rate, unemployment, industrial capacity. So have most market watchers. Growth is microanalyzed, almost feared. The domestic economic indicators, as they are called, have mesmerized both central banker and bond trader for so long that neither seems to have noticed just how faded the old red flags have become. They have overlooked a far larger and more important trend—a global economy that has fundamentally changed the inflation calculus.

Inflation is not a threat in the United States. Nor is it for the foreseeable future. It has been remarkably flat and will remain so, unless the Fed or the markets begin spurring inflation with higher interest rates. The Fed and most market watchers have undervalued their greatest allies—open, global, and increasingly fluid markets for goods, labor, and services. International competition will tame prices in a broad swath of the U.S. economy. The old domestic indicators, while perhaps important in gauging certain narrow trends, no longer determine the broader inflation outlook.

America's central bankers, as well as their counterparts abroad, are running economic policy in a global era from a playbook written for a relatively closed national economy. They are fighting the inflation wars of times gone by, and the markets keep cheering them on. Vigilance against inflation is a legitimate aim, but the Fed also has a broader purpose. Its parallel goal must be to ensure the health of all money and capital markets in their depth, breadth, and liquidity. Today, that task requires a touch far subtler than the broad swipe of interest rate hikes.

The Fed must reassess the supremacy given to both its inflation fight and the use of interest rates as its primary policy tool. The risks that central bankers must balance have shifted. Inflation is far less threatening than the prospect of recession or slow growth, and raising interest rates to dampen inflation offers a cure that is often far worse than the disease.

James D. Robinson III is President of J. D. Robinson Inc. and former Chairman and Chief Executive Officer of the American Express Company.

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Successful reform will allow the Fed to get off the back of the U.S. economy and give America the more robust levels of growth that it deserves.

IT'S A SMALL WORLD AFTER ALL

Technological changes have created a global arena for competition among the world's capitalist economies, multiplying the size of nearly every kind of market. International currency markets routinely exchange $1 trillion a day. Capital and commodities markets relay similarly vast sums across continents in the blink of a computer cursor. Technology now allows firms to shop in a global marketplace and to devise complex strategies integrating labor, materials, and consumers from around the world. Faced with these trends, national economic barriers have generally relented. Lower financial and trade walls are now codified in the new General Agreement on Tariffs and Trade, the North American Free Trade Agreement, the further integration of the European Union, and a host of other regional groupings and bilateral accords. The power of markets is truly remarkable when protectionist forces are kept in retreat.

The scale of the change is staggering. In Eastern Europe and Latin America new democracies and market economies are struggling to find their feet. East Asia's miracle economies are maturing. With new dedication to the welfare of consumers rather than producers, living standards are rising dramatically. India is liberating its financial markets and trade regime, generating strong GNP growth. China is poised to become an economic power in the 21st century if centrifugal forces do not pull it apart. Meanwhile, the self-satisfied nations of the Organization of Economic Cooperation and Development are in crisis. Rising government deficits, crushing taxation, excessive regulation, and too many remaining invisible barriers to trade have sapped wealth creation. As a result, unemployment in Western Europe seems stuck at double-digit levels and is unlikely to improve much, even with an economic rebound. The welfare state, wherever found, along with its accompanying universal programs, is already an artifact of an era whose time has passed.

These dramatic changes do more than spur new economic policies. They also shape more beneficent laws to protect intellectual property, private investment, and financial transactions. The competition for capital, rather than government largess, has managed to do what no amount of prodding by foreign voices ever could. It has generated an upward spiral of economic reform in nations that had once tried, and failed, to insulate themselves from the market, often at the behest of entrenched local business interests. States now strive to create business climates that will reassure both domestic and foreign investors, while avoiding the overregulation that might stifle competition.

The competition for capital will ensure that nations continue to knock down financial and trade barriers. As long as those obstacles stay low, accelerating global competition and market integration will give consumers the luxury of choosing among a greater number of cheaper and better quality products. To meet that need, producers will exact the best buys in a global marketplace for labor and materials.

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This dynamic will continue as long as governments allow their citizens access to world markets in goods and services.

In a global marketplace with falling trade barriers, long-term shortages of goods and services and a scarcity of labor do not exist. The Fed errs, then, in anticipating that low U.S. unemployment of six or even five percent necessarily provides the flash point for inflation. Today, highly productive American firms can arbitrage a global labor market and draw on other supplies. Likewise, consumer demand can only spark inflation when industries cannot produce enough goods to meet that need. This may happen from time to time in a national market, but it is far less likely globally, where no one knows the limits of industrial capacity. We experience "demand pull" inflation mostly to the extent that we limit our supply of goods and services with quotas, tariffs, duties, and other nontariff barriers. That is a reality our elected officials need to learn and remember. The greatest danger to growth is the ever-present threat of protectionism.

THE INTEREST RATE ERROR

Fed policy has not caught up with the economic changes that have transformed much of the world. Macroeconomic policies that worked well in a closed domestic economy do not work nearly as well when the U.S. economy is open to global competition and financial flows. The Fed must recalibrate its policy tools and reconsider when to use them.

Central bankers are eternally confronted with the challenge of balancing the forces of growth and inflation. Too much emphasis on boosting growth increases the risk of igniting inflation; too much pressure to control inflation risks slowing growth. In resolving this dilemma, the Fed has focused on trying to control money and credit to dampen demand with interest rates and the expectation of higher interest rates. But this emphasis has largely obscured the supply side of the economic equation and the fundamental changes in the American economy that have radically altered the proper balance between growth and inflation.

The Fed's current policy assumes that supply is essentially fixed, with domestic capacity serving as a major limit. In fact, supply can change, as it has in the American economy for some time. Globalization and the opening of the U.S. economy mean a wider pool of suppliers now compete directly for more than one-third of the goods and services purchased by American consumers. Shortages and sustained growth are now less likely to spark inflation in the same way as before. There is much less latitude for businesses to raise prices. Open markets will keep prices stable and relatively low in many economic sectors, such as semiconductors, computer equipment, autos, and electrical machinery. In areas where incipient inflation does appear, supply bottlenecks can be addressed by opening markets to foreign suppliers. If steel, lumber, or sugar prices show signs of inflating, for example, knocking out domestic price supports, taking off duties and tearing down other import barriers would deflate prices by regenerating supplies. Clearly, the surest way to tame inflation is to open markets and encourage competition.

Many service sector jobs like those in beauty parlors or restaurants remain insu-

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lated from international competition. Prices in these small businesses nevertheless depend on the costs of basic needs like energy, telecommunications, and health care. Today integrated global markets, greater competition, and technology have reduced the costs of many of those basic factors that cut across the economy and have traditionally driven broader inflation. Moreover, the mere anticipation of health care reform has already unleashed a host of competitive forces to hammer down prices. All these factors make inflation in the United States a greatly exaggerated threat.

Unnecessarily high interest rates become an invisible tax that drains middle class incomes with higher mortgage payments and credit rates. U.S. growth is slowed, unemployment is spurred, and efforts to reduce the federal deficit are set back. The Fed rate hikes instituted so far this year will cost government billions of dollars more to finance the deficit. Slower growth, meanwhile, will mean less tax revenue and more relief paid out to the unemployed.

The Fed's emphasis on taming demand through the interest rate has increasingly caused it to battle all varieties of inflation with too blunt a tool. A good example is the jarring U.S. recession of 1982. The world was suffering from inflation sparked by steep and successive increases in the price of oil. A cartel, not market forces, drove the cost of one of the most basic, pervasive necessities sky-high. Higher interest rates only became another cost in everyone's equation, until the pain in bankruptcies and lost jobs was so severe that spending had to slow down. Instead of stopping inflation, higher interest rates helped drive it, at an enormous cost to companies and communities alike.

Changing its calculation of which policies to use and when is a good first step toward a Fed that allows greater growth, but with contained inflation. Many of America's Asian competitors, for example, sustain economic growth rates in excess of seven or eight percent. Granted, those economies are smaller and have begun from a lower base, but the fundamentals of the U.S. economy are sound, and they provide no indication that the U.S. economy could not manage higher growth rates—perhaps of five or six percent—driven by productivity gains.

It is more by convention or habit than reason that it has become somehow unseemly for a "mature" industrial economy to run much faster than three percent without inciting the carping of inflation vigilantes on all sides. That frame of reference for growth, called maximum sustainable capacity by economists, was largely developed in the 1950s, 1960s, and 1970s. Today, the parameters of growth are substantially expanded. The deeper integration and breadth of competition that has come to the global economy in only the past decade have opened the way to more robust growth even among the developed nations. The Fed has been cautious to a fault. It makes a tragic mistake by erring on the side of slow growth, denying Americans a more dynamic economy, diminishing living standards, and cutting off capital to emerging markets.

UPDATE THE FED

Much of the problem is that the Fed is preoccupied with old problems and old techniques. It remains far too focused on

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commercial banks. Today the very definition of "money" has changed, and alternatives for credit and capital have expanded substantially. Far less of both actually reside in the commercial banking system. Since the mid-1960s, commercial banks have increasingly eluded the Fed's shorter reach. They buy money wholesale. They issue certificates of deposit and buy and sell dollars on global currency exchanges. Commercial paper, mutual funds and other sources of capital abound.

These developments have substantially reduced the Fed's leverage. The Fed nonetheless insists on trying to regulate the total money supply and achieve its policy objective through interest rates. This approach, moreover, has never adequately accounted for the "velocity" of money—that is, the number of times dollars are used in transactions. Technology today turns money over faster through a greater multitude of transfers, sales, and purchases than ever before. The general weakness of the Fed's approach is illustrated by its attempts to combat inflation in the early 1980s, when interest rates had to reach a staggering 20 percent before their effects could be felt.

To a large extent the soundness of the overall financial system depends on factors beyond the Fed's control. Sound fiscal policy, of course, is key, but financial stability still relies in large measure on sound macroeconomic policies that limit the growth of the money supply and ensure price stability. Today those tasks require that the Fed take a far broader view of all financial intermediaries—brokerage houses, insurance and finance companies, and mutual and hedge funds. Concentration on commercial banks must be relinquished in favor of the broader marketplace.

The Fed must shift from attempting general monetary control exclusively through the interest rate. Instead, it must focus equally on selected monetary tools. The Fed's aim should be to protect against extremes—excessive leverage, speculation, grossly exposed portfolios—that put the entire financial system at risk. If capital markets are too frothy, then cool them off by ratcheting up margin requirements or changing risk-based capital ratios. If bubbles are forming in real estate markets, then broaden disclosure requirements. Let the rating agencies and markets lend a helping hand. The Fed has had these and similar tools available to it for years, but it has too rarely used them. Importantly, such an approach is less likely to produce the same widely damaging effects on economic growth that eventually accompany interest rate hikes.

Other Fed reforms will require legislative changes by Congress. Consensus is widespread that radical developments in the financial services industry have outstripped an antiquated regulatory apparatus. Yet lawmakers have been virtually paralyzed over the specifics of reform. Since the late nineteenth century, Congress has sought to preserve the soundness of the financial system by separating the business of commercial banking from unrelated investment activity. While the barriers between financial institutions remain intact, the activities of various financial intermediaries have blurred. Banks are now major sellers of mutual funds and annuity deposits. Insurance companies own banks and securities firms. Telecommunication companies, automakers, and

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retailers issue their own credit cards.

Today proper control of these expanding services requires allowing financial and nonfinancial companies to affiliate themselves in holding companies. These holding companies would conduct various financial activities in separately capitalized subsidiaries—banking in one, securities in another, insurance in a third. The appropriate state and federal authorities would supervise and regulate the subsidiaries within their respective spheres. The Federal Reserve Board, meanwhile, should be empowered to exercise oversight of the entire system as it relates to the safety and soundness of money and capital markets.

UNLEASH THE ECONOMY

The challenge facing America today is to create enough global growth to lock in the political and economic changes that are still tentative in many parts of the world. That means providing enough capital to emerging economies so that they can generate the growth needed to absorb vast pools of unemployed. Growth alone can lift living standards and generate the disposable income needed for new consumers to enter the global marketplace for goods and services, in turn creating more jobs.

During the 1987 stock market crash, central bankers responded admirably, and immediately, to the resulting liquidity crunch by opening monetary spigots. This action nipped a financial crisis in the bud by providing global markets with the capital they required to avert an implosion and economic contraction reminiscent of 1929. America weathered the 1987 storm because monetary and government authorities recognized the true nature of the threat. The crash savaged balance sheets and shrank the world's supply of wealth. The market endured a humdinger of a correction and within a year was again testing its all-time highs. Since then, the markets have been tested again, but this time by periodic threats of excessive speculation in foreign exchange or portfolio leverage.

The real problem we face today is not a market crash, bubble economy, or runaway inflation. Instead, we are called upon to oversee a change of epochs. The world is undergoing a historic transition from the Cold War era to something as yet undefined. The globe's volatile mix of growth and stagnation, opportunity and danger, typify a time of transformation. As nations grope their way in this new order, with so much at stake and so much at risk, fears of a problem we do not have—inflation—threaten to choke off the lifeblood to a vulnerable world still waiting to be born.

We are presented with a historic opportunity to reshape the world for the better. Will we have the courage to challenge outdated assumptions, procedures, and tools? Will we have the vision to create new institutions like the World Trade Organization and expand our horizons in the tradition of the founders of Bretton Woods? Or will we view the world's future simply in terms of ensuring inflation of three percent or less? Current Fed policy dooms America to a twilight existence, sending it lurching from recession to shallow recovery and back again, each time taking much of the world economy with it and precluding the United States from being the leader the world expects it to be.

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The Land Mine Crisis

A Humanitarian Disaster

Boutros Boutros-Ghali

Like a deadly disease long absent and assumed conquered, the land mine, that scourge of the battlefield of World War I, has reemerged on a scale unimagined and with hideous, unanticipated effects. There is today a global land mine crisis. And while it began as a military problem, it is now an ongoing humanitarian disaster.

The United Nations estimates that, in the course of recent civil and international strife, more than 100 million mines have been laid in 62 countries. These mines have been placed not only in combat zones, but also in areas of purely civilian and commercial activity, thus bringing terror to large populations. In the hinterlands and countrysides of the world, the legless, blinded, ravaged bodies of the living are an increasingly common sight. They are condemned to a future of marginal social and economic existence and place an impossible burden on nations striving for development. Mines have been planted around key economic installations, including electric plants and power lines, water treatment plants, road networks, market centers, and port facilities. By neutralizing essential infrastructure, mines present a virtually insuperable obstacle to post-conflict peace-building.

People continue to use land that they may or may not know is mined because they must cultivate their fields, fetch water, collect firewood, or need a place for their children to play. Elsewhere, vast tracts of potentially productive land have been turned into no-man's-lands by extensive mining. Most of the nearly 20 million refugees in the world today want to return home, but U.N. assistance for repatriation and the repopulation of former war zones is impeded by the problem of uncleared mines. When farmers cannot survive by working the land, they gather in cities and large towns where work is scarce and housing is poor.

Twelve years of arguably the worst conflict since World War II ended in Cambodia this year. With the war over and U.N.-brokered elections completed, the new government of Cambodia can start to rebuild its society after the traumas of the killing fields. But the war is not over for everyone in Cambodia. Almost every day, scores of people—farmers,

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Boutros Boutros-Ghali is Secretary General of the United Nations.

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PHOTOGRAPH BY TOM WAGNER, SABA

Orthopedic rehabilitation center, Cambodia

travelers, aid workers, and soldiers—are killed and more are maimed as mines continue to perform their dreaded function. Sadly, red signs warning of mines must be posted on trees only a few feet from the highly traveled road to Angkor Wat, one of humanity's greatest cultural treasures. Cambodia's problem is not unique. Every day, mines and unexploded ordnance destroy and damage human life indiscriminately. After troops withdraw, land mines remain in the ground as brutal reminders that successful peacebuilding and development are still beyond the horizon.

THE SCALE OF THE PROBLEM

A U.S. government report estimates that the worldwide total of deployed land mines increases by 500,000 to 1 million each year. Of the four categories of antipersonnel mines (blast, fragmentation, directional, and bounding devices), the blast mine is most common. Blast mines are usually hidden underground and designed to activate when the victim steps on the mine. Detonation drives fragments of the mine, along with dirt, gravel, footwear, and surrounding vegetation, up the victim's legs and body. When not instantly deadly, blast mines almost always obliterate limbs or result in surgical amputation. Secondary injuries to the face and other parts of the body invariably occur.

The effect on individuals is psychologically devastating; the demand on a poor nation's health, welfare, and social system is overwhelming. Amputation or blindness usually means the end of a peasant's working life. For many, the cost of a

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prosthesis is prohibitive. According to the International Committee of the Red Cross, a prosthesis should be replaced every six months for a child and every three to five years for an adult. Thus a ten-year-old child with a life expectancy of 50 to 60 years will require about 25 prostheses. At a cost of $125 each, the victim will need approximately $3,125 for artificial limbs in his or her lifetime.

Advances in technology are worsening the global mine crisis. The present generation of mines are generally made of plastic with a small metal component, which makes them difficult to detect with metal-searching devices. The next generation of mines may be entirely plastic and almost undetectable by current methods. Most mines today use simple mechanical fuses, but mines already are available that contain sophisticated electronic fuses that make them far more hazardous to find and remove.

Mine clearance technology, in contrast, has advanced little since the 1940s. New techniques are badly needed. To date, relatively little money has been spent on mine clearance research; much more has been spent on the military act of breaching minefields. Humanitarian mine clearance is not a military mission, and armed forces trained in breaching techniques rather than area clearance generally lack the necessary expertise. No nation has developed proper equipment for humanitarian mine clearance, and current military equipment is poorly suited for that purpose. Some research has been undertaken by private companies, but until governments of developed nations become fully involved, new techniques will not be developed and humanitarian mine clearance will remain a slow and dangerous process.

Clearing mines means working by hand, with one specialist wielding a metal detector and another on his knees, probing the ground with a stick. Current detection equipment is just 60 to 90 percent effective in finding mines made with a minimum of metal. Yet in humanitarian mine clearance, the objective is to remove every mine in a minefield; success requires a clearance rate over 99 percent and preferably over 99.9 percent. Clearing mines is made even more hazardous by booby traps set to foil those efforts.

Even locating mines is difficult. Few armies make adequate minefield maps; soldiers often lack the skills to do so. Maps can also quickly become obsolete and dangerously inaccurate in fluid battle situations, because minefields may be altered by warring factions. Frequently, no attempt is made to map, record, or mark the minefields—to the subsequent hazard of the local population.

A SLOW AND COSTLY EFFORT

Primary responsibility for demining must lie with the country affected. The United Nations' chief objective is building indigenous capacity to clear mines. Experience shows that the most cost-effective clearance teams are those comprised of civilian mine clearers recruited locally and trained for the task in their own country.

The United Nations funds many of the mine clearance programs around the world. The two prerequisites for U.N. assistance are consent by national authorities and security for U.N. personnel when removing mines in militarily sensitive areas. Within the United Nations,

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the Department of Humanitarian Affairs has been assigned to coordinate mine clearance, working closely with the Department of Peacekeeping Operations. The United Nations takes three general approaches to demining: as part of integrated humanitarian and peacekeeping operations, as part of purely humanitarian operations, and as part of post-conflict peace-building.

In Afghanistan, for example, about 2,000 mine clearers have been trained and deployed under U.N. management in a program that must continue for several more years. This program costs about $12 million per year. Mine clearance could be doubled using existing management and training resources, but donor funding cannot be found to support the increase. In Cambodia, about 1,400 mine clearers are deployed. More have been trained, but donor nations have not been able to supply the supervisory staff required while Cambodian managers and supervisors gain experience. In Mozambique, about 300 mine clearers are deployed in a U.N. program overseen by a Norwegian nongovernmental organization. A major road clearance project is now in progress. The U.N. demining headquarters in Mozambique also coordinates all non-U.N. mine clearance in the country. In Somalia, the mine clearance program is based entirely on local companies. Three contracts are under way, with the possibility of more if those are successful. Mine clearance has unified the clans in more than one location and could become one of the United Nations' major humanitarian contributions to the Somali people. The United Nations carries out smaller mine clearance programs in Kurdistan and has plans for programs in Rwanda, Liberia, and Angola.

The cost of clearance, including training, support, and logistics, is estimated at between $300 and $1,000 per mine. Most antipersonnel mines cost less that $25, and some cost less than $3. Mine clearance is expensive because it is labor-intensive and slow because it is dangerous. In Kuwait, where as many as 7 million mines were laid during the Gulf War, 84 demining experts have been killed or injured. At least 30 people have died in U.N. demining operations in Afghanistan. In Cambodia and Mozambique, mines are now overgrown by long grass, every blade of which has to be removed individually to prevent pulling tripwires. In Rwanda, mines will probably be found in tea plantations; every bush will have to be dismantled branch by branch to prevent tripwire-operated mines from detonating.

Clearance costs include management, training, equipment, communications, medical support, casualty evacuation, insurance, and compensation. In some instances, mine clearance has been attempted without any of these. In northern Somalia, for example, a local team of 49 mine clearers lost 17 members to accidents. And there may be additional costs associated with demining. In areas of recurrent strife, roads must be paved so that cleared mines will not be replaced with others laid beneath the surface of dirt roads.

In countries where there is no ongoing peacekeeping operation, a trust fund is often set up to finance mine clearing programs. This system is usually slow and unable to keep pace with demand for mine clearing. I have thus asked for the

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support of member states in creating a United Nations Voluntary Trust Fund for Mine Clearance. The fund would provide resources for initiating mine clearance at the crucial early stage after a conflict when people return to the land and when, in the absence of information and technical capacity, mines wreak the greatest havoc.

POLITICS AND DEMINING

Economic support for mine clearance operations must be coupled with strong political and legal advocacy to fight the global mine crisis. Protocol II to the 1980 conventional weapons convention entitled "Protocol on Prohibitions or Restrictions on the Use of Mines, Booby Traps, and Other Devices" specifically regulates the use of land mines. At present, 41 states have ratified the convention, which entered into force in 1983. But the land mines protocol, which originally sought common ground between general humanitarian principles and the military view of mines as an effective weapon, has shortcomings that must be addressed.

The land mines protocol is not applicable to internal warfare and does not regulate the production, stockpiling, transfer, or export of antipersonnel mines. The conventional weapons convention also does not include any provisions for enforcement. There is no procedure to monitor compliance and no designated venue for lodging allegations of breaches. There is no method for seeking redress or cessation of unlawful acts and no penalty for the intentional or indiscriminate use of mines against civilians. Even if mines are laid according to wartime rules, the protocol fails to take into account the delayed impact of mines after a war ends.

Under Article 8 of the conventional weapons convention, a review conference may be convened ten years after the convention's ratification; preparations have begun for such a conference to be held in 1995. This conference must address the shifting role of mines from a tactical battlefield weapon to a theater-wide weapon of mass civilian destruction. Most important, efforts must be made at the conference to strengthen the conventional weapons convention and the land mines protocol by adding strong enforcement provisions. Such provisions would include mandatory registration with the United Nations of the number and type of land mines produced and held, mandatory reports to the United Nations on any transfers of land mines, obligatory agreement to permit appropriate inspections to determine compliance, and appropriate sanctions for noncompliance.

To slow the proliferation of land mines, some manufacturing countries have imposed export bans or moratoriums. The United States adopted the Anti-Personnel Landmine Moratorium Act, which imposed a one-year ban on the sale, export, and transfer abroad of mines when it was signed into law on October 23, 1992. In 1993, the moratorium was extended for three additional years. The European Parliament passed a resolution introduced on December 14, 1992, demanding that all member states declare a five-year moratorium on the export of mines and training in their use. The U.N. General Assembly has encouraged wider use of such export bans with its adoption of a draft resolu-

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tion on December 16, 1993, deploring the consequences of mines and urging states to implement moratoriums on the export of antipersonnel land mines.

Another important avenue to pursue is placing mines in the same legal and ethical category as chemical and biological weapons in order to stigmatize them in the public imagination. The use of mines is so common that for those unfamiliar with their effects they may not evoke the horrific visions of chemical or biological warfare. Were their effects better known, land mines would undoubtedly shock the conscience of mankind—the same public reaction that led to the banning of chemical and biological weapons. The nature of mines makes them indiscriminate as to their effect; as such, they are prohibited under international humanitarian law, and practical measures should be taken to put that prohibition into general practice.

Strengthening the conventional weapons convention and the land mines protocol, enacting export bans, and working to put mines in the same legal and ethical category as chemical and biological weapons are all critical for solving the global mine crisis, but ultimately, and urgently, the world needs to establish an international convention on mines. Its purpose should be to reach agreement on a total ban on the production, stockpiling, trade, and use of mines and their components. Only in this way can the international community make sustained headway against the killing, maiming, and societal destruction caused by these terrible weapons.

The proliferation of mines has created a triple crisis: individuals are the victims of inhumane weapons, developing nations are unable to go forward with economic and social programs, and families, localities, and nations are compelled to bear an increasingly heavy medical and social burden. The United Nations has taken the lead in demining efforts worldwide through programs of direct clearance, technical assistance, mobilizing public opinion, and aiding victims. Increased funding and stronger political support for this U.N. effort are now urgently needed.

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The U.N. and the Use of Force

Leave the Secretary General Out of It

Giandomenico Picco

Neither the post-Cold War climate nor civil wars can rightfully be blamed for the failures that have beset the United Nations since 1991. External factors only partially explain the dramatic reversal of fortune in U.N. prestige. One must look to the workings of the United Nations itself—to the division of labor between the office of the Secretary General and the Security Council—to identify the most distinguishing factor between its periods of success and setback.

The Cold War actually ended for the United Nations more than two years before the Berlin Wall came tumbling down. The catalyst was Mikhail Gorbachev, the last Soviet president, with his new attitude toward the world body, and the occasion was the Iran-Iraq War, perhaps the first non-East-West conflict. The five permanent members of the Security Council began a new way of working together in early 1987, and a year later the Secretary General brokered the end of the Iran-Iraq War, perhaps the most remarkable in a series of U.N. successes between 1987 and 1991. Among those, El Salvador's conflict was a civil war—whose resolution garnered a 1988 Nobel Peace Prize—and others had civil war characteristics. In addition, the United Nations helped broker the accords that led to the Soviet withdrawal from Afghanistan, shepherded Namibia to independence, extracted the hostages from Lebanon, and fashioned the agreement for the subsequent settlement in Cambodia.

In all those cases, the office of the Secretary General played a key role. Importantly, however, U.N. success was not secured by the use of force. The United Nations was engaged under the Secretary General's direction solely in negotiations and peacekeeping. The sole U.N. success in this period that did involve the use of force was the Gulf War. But there, critically, it was the U.N. Security Council that empowered a U.S.-led military coalition to repel Iraq from Kuwait. From that conflict, the office of the Secretary General was, de facto, kept out.

Taken together, these successes illu-

GIANDOMENICO PICCO is Chairman of GDP Associates, former U.N. Assistant Secretary for General Political Affairs, and U.N. hostage negotiator in Lebanon.

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minate a critical rule: the functions of the institution of the Secretary General and the Security Council are complementary and work best when separated at the key dividing line involving the use of force. The roles of the Secretary General and the Security Council are and should be kept separate to be of maximum benefit to the international community.

Under the U.N. Charter, the use of force is decided and managed by the Security Council, and even then the Security Council has been most successful in implementing Chapter VII resolutions when it subcontracts out those duties directly or to a subsidiary organ. The institution of the Secretary General is inherently inappropriate to manage the use of force. It does not have the tools and has thus been understandably unsuccessful at it. Equally important, by involving itself in decisions on the use of force, the institution of the Secretary General compromises the impartiality critical to its capacity as a negotiator.

THE STRENGTH OF THE NATION STATE

In the present international system, decisions on the use of force reside with nation states. Accordingly, the Security Council, where states dominate, is the organ within the U.N. framework that decides when force is to be used.

To date the Security Council members have shown reluctance to provide the institution of the Secretary General with the resources necessary to a Chapter VII use of force assignment—standby funds, appropriately trained troops, and adequate command, control, and intelligence systems. The result is that the Secretary General has managed use-of-force operations with tools better suited to Chapter VI peacekeeping ventures. This gap has led to questionable results in Somalia and Bosnia. The case of Bosnia, in particular, proves how uneasy member states are about relinquishing the management of force to a nongovernmental institution like the U.N. Secretary General. And the confused chain of command that we have witnessed in the Balkans has helped neither the credibility of the institution nor the effectiveness of the international effort.

Were the institution of the Secretary General to receive some of the military, financial, and intelligence tools of states, it would most likely be so endowed in highly limited ways. Transforming the institution of the Secretary General into a pale imitation of a state would have three negative consequences. First, it would risk ineffectiveness because of the limited tools at the Secretary General's disposal. Second, it would undermine the Secretary General's impartial negotiating role, thus depriving the international community of a further instrument that it already possesses. Finally, it would forfeit the inherent strength that the institution of the Secretary General derives from having no traditional vested interests of its own. Thus assumption of powers by the Secretary General to manage the use of force may well be a suicidal embrace.

This argument is not against any use of force under U.N. auspices. The decision to use Chapter VII rests with the Security Council. Its inability to carry out such a decision will simply diminish the credibility of that institution and, in the final analysis, its member states. Thus it is in the interest of those states

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to be part of an effective institution, even as command and control of military and financial resources remain under their control. To retain that control, the management of Chapter VII use of force should be subcontracted to a coalition of member states, as in the case of the war against Iraq, to a military alliance or a combination of alliances and other states.

The Security Council might also consider a military variation of a less noted structural precedent: that of Rolf Ekeus, executive chairman of the special commission on disarmament and arms control in Iraq. He was appointed by and technically reports to the Security Council, not the Secretary General. Ambassador Ekeus' work has proceeded well so far as his relationship is with the Security Council and not the Secretary General. His task is intertwined with some of the structures and tools of states, to which he needs access and which could hardly be available to the institution of the Secretary General.

The U.N. Charter of course points to a "military staff committee" to manage the use of force. But that provision is not much in favor these days. A separation of roles between the Secretary General and the Security Council would most benefit the member states. A Security Council with effective options for managing force and an unencumbered Secretary General would be less competitive and more effective. Furthermore, member states that are opposed to the use of force should find it useful to provide the Secretary General with political room so as to limit, by negotiations, the option of the use of force.

THE 'OTHER' STRENGTH

To have no army and no central bank is no witness. Because the Secretary General's institution does not carry with it those basic tools of states, its strength and effectiveness derive mainly from the lack of traditional vested interests and from credibility. Years after the hostage-taking saga in Lebanon was over, some of those who had been engaged in the practice were asked why the Secretary General's office was chosen as the instrument of resolution instead of a state. The answer was quick and clear: credibility and no vested interests.

I can attest more personally than is comfortable to the truth of that response. During the course of the Secretary General's operation that led to the release of 11 Western and 91 Lebanese hostages, the recovery of the remains of two Americans, and the identification of the remains of two Israelis, I met several times as the U.N. negotiator with the hostage-takers under unorthodox circumstances. One of the first questions asked me was whether I was an emissary of the Secretary General or the Security Council. I gave the right answer. Had I said "the Security Council," as I was subsequently informed, I would have been killed. The question demonstrated quite an understanding of the United Nations organization and a perception of the Security Council as supposedly representing the vested interests of its member states. In this instance, the Secretary General's office could do what the Security Council could not, just as the reverse was true in the war against Iraq.

Credibility also implies that the Secretary General's choice of colleagues and special representatives is crucial. While

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one hopes that they are not total strangers to the issues, eleventh-hour experts could only add credibility if they bring an overwhelming political prestige of their own. To build that credibility, ideas, and consistency are important. Structures are useful but subsidiary. They do not solve problems, people do, individuals do, starting from an idea and a vision (not from force, particularly if you do not have it or do not intend to use it). Credibility, furthermore, is crucial if the institution of the Secretary General is to perform its new role in preventive diplomacy.

Consistency of behavior, although never fully achieved in the political arena, is likewise important. But it has different implications for the institution of the Secretary General than it does for the Security Council. It has been argued that the international community's response to violations of international law in other areas of the Middle East did not match its strident response to the Iraqi invasion of Kuwait. Nor did the U.N. measures in the Balkans match those in the horn of Africa. The perceived lack of consistency undermines the credibility of the institution.

Consistency in the use of force rightfully comes under more careful scrutiny. However, when the institution is the Security Council, which is to say its member states, the lack of consistency seems to have been weathered quite well: states can justify such inconsistency by pointing to an overriding national interest. However, the institution of the Secretary General does not have that luxury. What supreme international interest could be called upon to justify the lack of consistency in using force in Somalia, where 24 peacekeepers were killed, but not using it in Bosnia, where 46 peacekeepers have lost their lives?

Yet another detriment of associating the Secretary General's office with Chapter VII uses of force is loss of the useful distinction between the United Nations' "good cop" and "bad cop." Bosnia illustrates that no compensating gain flows from blurring those roles. On a recent fact-finding trip to the Balkans, I asked some officials if the office of the Secretary General was strengthened because it had the power to decide bombing Serbian positions. The unanimous answer was no. In fact, having that power hampered the Secretary General's ability to play the "good cop" negotiator, warning from time to time of what the "bad cop" Security Council might do if negotiations failed.

The need for a good cop-bad cop interplay survives the bipolarity of the Cold War. One of several examples that could be cited involves the Iran-Iraq War. Following negotiations between the Secretary General and the two adversaries, a cease-fire ended the hostilities on August 8, 1988. But some powers did not wish the conflict to end when it did, a fact known to the Secretary General. Constant interplay between the Secretary General and the Security Council nonetheless continued, even though they did not always

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agree on the politics. This divergence of views was not played out in the press or the corridors of power. Discretion was fundamental to success because the Secretary General's strength as a negotiator does not derive from the exposure of weakness or embarrassment of a member state, rather the opposite.

Finally, there is the importance of morality as an anchor for the Secretary General. Even if the institution of the Secretary General could manage a Chapter VII use-of-force operation, it would then be the decision of his office to authorize intentional killing. This power is quite another matter than the tragic but unintended deaths that may accompany peacekeeping operations. In carrying out an offensive use of force, U.N. soldiers, identified aggressors, and civilians might all be casualties in unexpectedly high numbers. The authority to order killing, far from strengthening the institution of the Secretary General, would render it no different in the eyes of suspicious combatants than major nation states and their alliances.

STRENGTH IN SEPARATE ROLES

During the Cold War, the two superpowers defined the "red lines" of international behavior, signaling to other nation states and political groupings what activities were off limits because they threatened the interests of the bipolar contestants. Now the Security Council, more than the East-West framework, can be the forum in which those "red lines" are drawn. If it chooses, the Security Council can define a structure for managing the use of force that increases the clarity of its decision-making and the predictability of its actions. The various actors in today's civil war-like conflicts are unrestrained by an awareness of "red lines" and of who will set or enforce them. Predictability by itself will function as a deterrent in some cases, thus limiting the recourse to force. Establishing it will take time, but unless it is done, the alternative may be international anarchy.

Other negative effects will grow if the Security Council does not assume the task of managing the use of force. Already, the credibility of all U.N. activities has suffered, perhaps unjustly, from the mishandling of recent conflicts. Separating the roles of the Security Council and Secretary General at the critical juncture of managing the use of force may enhance both, as well as the U.N. ability to gain support and resources for other services, including tasks that precede or are an alternative to the use of force. The more the institution of the Secretary General tries to resemble a state, the more it will fade away and, most seriously perhaps, the United Nations will become no more than the sum of its members. In other words, an enforcing alliance, at times; a modern Congress of Vienna, at best.

Yes, there are other roles that this new era has brought upon the various U.N. institutions. The end of the Cold War has implicitly given the United Nations the monumental task of redefining the concept of enemy. The institution of the Secretary General may be the most appropriate to that task. Can it rally the world community against its new enemy—intolerance—and can the Security Council draw the "red lines" of the emerging international system? Or will member states produce leaders who can lead without an enemy?

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Save Public Diplomacy

Broadcasting America's Message Matters

Walter Laqueur

Public diplomacy has never been the favorite child of U.S. foreign policy. More often it is considered a poor relation, faintly disreputable, with no particular merits in the past and of doubtful relevance in the present, not to be discarded altogether but kept at a safe distance. However, during the last year the attitudes of influential congressmen have turned from indifference to hostility. Some important United States Information Agency (USIA) programs have been discontinued, others radically scaled down. When the Congress returns from its recess, further cuts can be expected. The attitude of the Clinton administration has been generally apathetic; one of its first initiatives was to phase out the Munich-based radio stations Radio Free Europe and Radio Liberty. Recently a substantial group of freshman lawmakers spent hours on the House and the Senate floors attempting to kill the National Endowment for Democracy, a small but very effective organization that helps democratic forces in formerly undemocratic countries, the total budget of which ($35 million) is less than the cost of a F-18 jet fighter. The decline in public diplomacy efforts has taken place over a long time; 12,600 people were employed by USIA in 1967; the number now is 8,500 and falling. The number of those stationed abroad has been halved. The agency's budget in real terms is less than it was in 1970. What made legislators accustomed to swallowing camels strain at gnats?

WHY THE STATIC?

There are several explanations, but none of them is entirely convincing, and to some extent the issue remains shrouded in mystery. America, the home of Madison Avenue, pioneered public relations. Advertising, in the widest sense, has always been appreciated in the United States, which spends more for this purpose than any other country. Yet, while America spends huge amounts selling cigarettes and soft drinks, it is not selling America. A single company, Philip Morris, spent more in one year on advertising—$2 billion

WALTER LAQUEUR is a historian and the Chairman of the Research Council for the Center for Strategic and International Affairs. He is co-editor of the *Journal of Contemporary History* and author of several dozen books, including most recently *The Dream that Failed: Reflections on the Soviet Union.*

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in 1990—than the combined budgets of all U.S. agencies, official and semiofficial, engaged in public diplomacy.

Nor can it seriously be argued—as some have—that these tools of U.S. foreign policy are no longer needed now that the Cold War is over and America no longer faces major threats. There was a brief moment of euphoria following the collapse of the Soviet empire. But no specialized expertise is needed to realize that, far from being on the verge of a new order, the world has entered a period of great disorder. This refers to all kind of regional conflicts as well as to the proliferation of the means of mass destruction, all of which makes nuclear war in the not-too-distant future a distinct possibility. It also refers to a potential second coming of fascism and communism and anti-Western onslaughts by other forces. In facing these new dangers, a reexamination of old priorities is needed. Cultural diplomacy, in the widest sense, has increased in importance, whereas traditional diplomacy and military power (especially of the high-technology variety) are of limited use in coping with most of these dangers.

Why is it so difficult to accept these unpleasant realities? Extreme, outspoken isolationism is not the cause; it has become rare. Even senators and congressmen who wish to end public diplomacy introduce their legislation with a statement to the effect that they are not in principle averse to such activities. But the popular (and indisputable) saying that America "cannot solve all the world's problems" sometimes serves as an excuse for arguing that it cannot solve any—or hardly any. The undoubted fact that long-neglected domestic problems ought to be given high priority is used to suggest that in its present condition America has little time, resources, or energy to deal with foreign problems, as if a great power were incapable of dealing with more than one problem at a time.

Underlying the reluctance to accept the increasing importance of public diplomacy is the tacit belief that such activities are a luxury, not really in America's self-interest but in the interests of other countries and that "we are doing them a favor." Seen from this perspective, the bells may be tolling, but they are not tolling for America. This view, however, betrays a profound misjudgment concerning the relevance of events outside America to the security and well-being of this country.

Some who disparage public diplomacy seem to believe that the advantages of the American way of life, values, and institutions are so self-evident that they do not need special promotion. They also appear to think that the future of democratic institutions worldwide is so secure that no particular effort is needed to bolster them.[1]

Some critics consider public diplomacy a peculiarly American aberration that other, more sensible countries do not share. In this respect there is a great deal

[1] Radio and TV Martí have not been discontinued but were threatened with closure since TV Martí cannot be watched in Cuba except in the early morning hours. But this is a technical problem that could be overcome if more money was available. Given the Cuban uncertainties, present and future, the need for a U.S. channel to reach the Cuban people seems obvious.

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of ignorance. Travelers abroad know that the BBC World Service is more widely listened to and respected than American-sponsored radio stations. But even Margaret Thatcher never suggested that the private sector should take over the BBC. It is less widely known that on a per capita basis France and many other countries, including, of late, Spain, with its Cervantes Houses, spend much more on public diplomacy than does the United States, that there is no U.S. equivalent of the foreign presence and activities of the German political party foundations, and that Iran has more powerful radio stations than the Voice of America. These facts may fail to impress those who believe that America's standing in the world is not a high priority, but it is clearly wrong to assert that their indifference is shared by other nations.

A TINY PORK BARREL

Other arguments against public diplomacy vented in Congress include assertions of widespread corruption, waste, and duplication. Such transgressions should be investigated and if need be punished, but this is clearly another case of straining at gnats. Given the small size of the public diplomacy budget—less than $1.4 billion, almost all of which is earmarked—there could not be much corruption and waste, even if public diplomacy had somehow been taken over by the criminal underworld, using the most fiendishly clever devices to defraud the American taxpayer. How little pork, how minute a barrel! It is, of course, annoying that keeping a lowly second secretary at the Tokyo embassy costs the United States more than the salary of a U.S. senator. This is not the fault, however, of the second secretary but of the high cost of living in Japan and in many other countries. And since no country can afford to let its representatives sleep in the streets or starve, such outlays have to be made, however grudgingly. Nonetheless, the second secretary with all his allowances will probably still be worse off than he would be in a job of comparable standing at home.

The criticism of public diplomacy's overlapping roles and audiences also does not withstand serious examination. Those complaining would hardly suggest that the American customer's choice should be limited to one sort of car, toothpaste, perfume, or painkiller. Foreign customers, too, have a variety of tastes and ought to be approached on various levels of sophistication. U.S. radio stations and foundations have a variety of purposes. Some are mouthpieces of the U.S. government, others need more freedom to be effective. Part of the U.S. effort should be directed to those on the political left, part to those right of center. Some should reach unions, some churches, others the academic world, or chambers of commerce. For all this, a variety of public diplomacy instruments is needed, and if there is some overlap, it should be welcomed as conducive to competition and improvement.

MAKING WAVES FOR THE RADIO

It is difficult to find any merit in the arguments mentioned so far. The basic weakness of public diplomacy is the fact that it has no powerful domestic constituency. Even the most militant anti-defense legislators will fight like lions if threatened with the closure of military

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installations in their congressional districts. Public diplomacy has no such base. During the Cold War there was a consensus among officials, elected and appointed, that some expenditure along these lines was inevitable. But for a variety of reasons this consensus did not survive the Cold War, even though the need is now greater than before.

Furthermore, there has always been resentment on the extremes of the political spectrum that more money was not allocated for their ideological allies abroad. The right has complained that the United States has no business supporting free trade unions (or even Social Democrats!) abroad against their foes, even if the sums involved are laughable. On the extreme left there have been parallel complaints: Why assist those who do not qualify according to the canons of political correctness? Still others have been dissatisfied because their friends abroad were neglected. And since each year there are thousands of applications for grants and only hundreds can be supported, the army of the discontented greatly outstrips those who get help. Thus there is a bond between those who are disgruntled for personal or ideological reasons and populists opposed to the enterprise by conviction.

Some skeptics consider public diplomacy a two-edged sword likely to cause more harm than good. If America has no foreign political strategy or if its leaders waffle or make egregious mistakes, why broadcast (and thus magnify) the fact? But this is a narrow view of the purpose of public diplomacy, which is not only concerned with daily affairs and putting the best gloss on current U.S. policies. Its main purpose is to project an image of American life and values quite irrespective of the events of the day. Public diplomacy's perspective is not measured in weeks or months. To be effective it has to be evaluated in longer time frames. The bureaucratic queries about tangible achievement that can be measured at the end of the budgetary year simply do not apply.

FAIR AMERICAN FARE

There is another, weightier objection concerning the quality of U.S. public diplomacy. It is unfortunately true that its performance has not always been outstanding and that the self-congratulatory statements in the annual reports of public diplomacy agencies are sometimes unfounded. Several committees have looked into performance issues, but they have concentrated mainly on technology and the choice of communications vehicles rather than on substance. The quality of American television and radio programming in general is not, to put it cautiously, very good compared with that of many other countries. This is true not just with regard to high- and middlebrow programs; even on the level of soap operas America has been losing out in the former Soviet Union to Mexico and Brazil, which have produced and sold more attractive products.

America did have two excellent and effective radio stations in Munich: Radio Free Europe, which targets East European nations, and Radio Liberty, which targets Russia and former Soviet territories. Collectively, the stations broadcast independent journalists' news articles, political analysis, and explanatory reports on economic and international issues in

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over 20 languages in AM, FM, and shortwave frequencies. These stations, as attested to by those in the know, including the present heads of governments in Eastern Europe, played an important part in ending the Cold War. But it was precisely their success that made many enemies for them.

Under the Clinton administration plan to consolidate these programs, some services have been discontinued, others will cease operations in three to four years. The staff is being cut from 1,600 to 400. The research department of Radio Free Europe, the world's best source of information on events in Eastern Europe and the former Soviet Union, is being liquidated. All this is occurring on the assumption that the battle for democracy in the former Soviet Union and Eastern Europe has been won. The administration may now have realized that the decision to phase out the Munich radios was rash and unwise. But the damage cannot be undone, and one can only hope that learning from this mistake it will resist with vigor the efforts of some misguided lawmakers to make even deeper cuts.

UNCLE SAM, NOT UNCLE SCROOGE

Opponents of public diplomacy frequently argue that the private sector should shoulder this responsibility—a proposal that is about as sensible or practical as suggesting that the private sector should be responsible for U.S. defense, health, education, and street cleaning. Even if private foundations had the funds to engage in those activities, their interest in operations abroad—with one or two notable exceptions—is now much less than it was in the 1950s and 1960s. Some corporations may be willing to invest in regions of special interest to them, but no help will be forthcoming in areas where the needs are greatest.

Fifty or even 30 years ago, radio, especially shortwave, broadcasting was one of the main vehicles of public diplomacy. It is still important even though the importance of television has grown enormously. There has been great excitement about the multitude of channels that will be accessible, at least in theory, to a global audience. But closer examination shows that such excitement is misplaced or at least premature. As shortwave radio broadcasts are phased out, they are not replaced by a worldwide TV network. Instead, we have Worldnet (Voice of America), which is best at satellite teleconferencing, a kind of international press conference or seminar that usually reaches only a handful of people. This is not the stuff likely to be rebroadcast at prime time by foreign television stations, least of all in countries opposed to the United States and its policies.

Neither U.S. commercial channels nor public television now produce enough programs suitable for broadcasting overseas. Under such circumstances, the United States would have to produce its own programs for foreign consumption. The talent to do so exists, and with a little luck sufficient editorial freedom may be given. But the funds for such a venture are not available; outlays for television are only about five percent of the shrinking USIA budget. Many USIA services have been discontinued, including exhibitions, global and regional magazines, book fairs, and book exchange funds. And the fee for

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giving a lecture in a distant country is sufficient for people of leisure and independent means, but hardly enough to attract those best qualified to appear.

These facts give a rough idea of the importance attributed to public diplomacy by Congress and the administration. Currently USIA is not even represented on the National Security Council. It is pointless to raise the issue of quality, crucial as it is, as long as the budget is so minimal. Everyone agrees on the importance of television, and everyone discusses new satellite and digital technologies and the information highway. But in the competition for a global audience the United States is a nonstarter. England, France, and Germany have been more active and allocated more money. Even countries such as Turkey, Egypt, and Saudi Arabia have more astutely realized the importance of beaming television channels to neighboring countries. In Washington such activities are not even envisaged. All U.S. public diplomacy now aspires to is the production of programs that will be transmitted by satellite to foreign stations in friendly countries, which may or may not use them.

SLUMBER ON THE POTOMAC

To remedy the present dismal state of affairs, the budgets of the various agencies engaging in public diplomacy should be roughly three to four times higher than they are now. These agencies should be given greater freedom of action and the ability to attract the best talent available. Given recent budget cuts and the present mood in Congress, such suggestions are of course entirely unrealistic.

There is always the possibility that a major international crisis will have a salutary effect, doing away with delusions about the state of the world, generating greater awareness of the dangers facing America, and putting an end to lethargy and indifference. But such a crisis might be years off, and in the meantime some words of warning are appropriate. The international agenda tends to ignore the concerns of Washington legislators, just as they tend to ignore events outside their bailiwicks. Various clocks are ticking away, irrespective of whether people want to listen to them. The proliferation clock is an obvious example, and its consequences are predictable.

Similarly, it is only a question of time until it is accepted that the United States got its priorities wrong in the conduct of its foreign policies and the choice of its instruments. There will always be room for diplomacy, but in its present form it is largely an eighteenth-century relic that badly needs rethinking and refashioning. The limits of military and economic power have become all too obvious of late. To dismantle the remaining instruments of U.S. foreign policy at this time seems more than a little foolish. Perhaps in the future, those who failed to accept the importance of public diplomacy will think of various excuses to justify their misjudgment. But this will be of little help, for in this field there is no room for rush programs to make good the neglect of many years. A price will have to be paid: races that were run, will not be rerun, because at the time too many people in Washington overslept.

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The Recovery of Internationalism

David C. Hendrickson

STEMMING THE ISOLATIONIST IMPULSE

THAT AMERICAN foreign policy stands in disarray and confusion is one of the few propositions on which a consensus exists in the country today. The flips and flops of policy toward Bosnia, Somalia, Haiti, North Korea, and China, to mention only the more prominent examples, have elicited ridicule from all points on the political spectrum. The growing attention the president gives to foreign policy seems largely to respond to the pressures of domestic constituencies. It is as if President Clinton conceives his role to be that of a spiritual medium and has accordingly gathered round himself (hands clasped) a ramshackle collection of interest groups whose discordant voices from the netherworld are each allowed to dictate policy for a season.

But the president's problem goes deeper than his apparent belief that foreign policy can be successfully constructed by adding up the demands of domestic interest groups. His basic dilemma is rooted in the foreign policy agenda he embraced in his campaign for the presidency and in the impossible demands it has imposed upon him. Clinton's success in portraying Bush as a foreign policy president who was oblivious to the nation's domestic problems obscured the fact that the Democratic challenger's foreign affairs agenda was far more

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DAVID C. HENDRICKSON is Associate Professor of Political Science at Colorado College. His most recent book, with Robert W. Tucker, is *The Imperial Temptation: The New World Order and America's Purpose.*

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ambitious than that of the foreign policy president himself. Bush's internationalism was centered on his revival of the collective security idea: the notion that the United Nations, with the United States at the lead, would guarantee the territorial integrity and political independence of all members of international society (although in practice this idea was applied rather selectively).

Clinton's strategy in the game of political poker he played with Bush was to see all bets the incumbent had placed and then raise him. Clinton not only signed on to the idea of the "new world order," but added others that, taken together, amounted to a considerably more ambitious agenda. He would press the Chinese on human rights by linking improvements to renewal of China's most-favored-nation trade status, bring democracy to Haiti and Cuba by tightening the trade embargoes against both, and stop Serbian aggression in Bosnia by air strikes and by opposing any settlement that seemed to reward the Serbs for their misdeeds. There was scarcely any item on the wish-list of contemporary American internationalism—preventing aggression, stopping nuclear proliferation, vigorously promoting human rights and democracy, redressing the humanitarian disasters that normally attend civil wars—where Clinton promised a more modest U.S. role. On the contrary, the gravamen of the critique was that Bush had done too little, not too much.

The predicament in which this placed Clinton's incoming administration was clear enough. He could not ignore the promissory notes he had extended in foreign policy without severely damaging his credibility. However, he could not carry through on his foreign policy agenda without posing a radical threat to his desire to focus on America's internal renewal; the promise of internal renewal, he well understood, was the main reason for his election. Faced with a growing public mood of psychological disengagement from the world and confronted with resistance from both allies abroad and the U.N. Security Council to some of its favored projects, the administration retreated from its stated aims in area after area of policy.

This pattern of behavior has had two bad consequences. First, America has lost prestige abroad, stemming from the realization in foreign capitals that American policy cannot be taken at face value or

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need not be taken seriously (because, as J. P. Morgan said of the market, it fluctuates). The second is the effect on U.S. public opinion. The likely effect of an administration that repeatedly fails its own litmus tests is a further deepening of the insularity of the American people and its propensity for international disengagement.

Disillusionment with extravagant internationalism can easily foster disillusionment with a more moderate variety. It has done so before. When Woodrow Wilson articulated a similarly extravagant version of internationalism and proposed that the only alternative was a return to isolationism, he prepared the ground for the very reaction he most feared. Not only did the Senate reject the League of Nations and the promise of collective security it entailed, but public opinion also turned away from the commitment to the security of European allies, which represented the sensible middle ground of policy and was favored by moderate Republicans. Clinton's foreign policy, which has been avowedly neo-Wilsonian, courts a similar reaction. The danger is that its tactical retreats will turn into a rout, that the bases of a more moderate internationalism will evaporate along with, and in reaction to, disillusionment with its repeated failure to achieve its neo-Wilsonian goals.

The task of policy is thus to save American internationalism from itself, to salvage it by reining it in. How that might be done can be seen in relation to three general issues for which a set of countries has become symbolic: democracy and human rights (Haiti, Cuba, and China), nonproliferation (North Korea and Ukraine), and intervention in civil conflicts (Bosnia and Somalia).

SPREADING DEMOCRACY AND HUNGER

No American policy makes for a more depressing spectacle than that which the United States has pursued toward Haiti since the coup that ousted Jean-Bertrand Aristide from power in 1991. For nearly three years an economic war has been waged by the richest country in the hemisphere against the poorest, all in the name of "enlarging democracy." The contradictions in this policy are now legendary. Despite an evident interest in avoiding a large surge of Haitian

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refugees to this country, American policy has seemed calculated to encourage that very thing. The United States has avoided that result only by ringing the island with warships and refusing political asylum to most Haitian refugees. Haiti's thuggish rulers, the logic of U.S. policy appears to say, threaten everybody in general, but few people in particular. Those refugees are thus treated as economic migrants, whom we have no legal obligation to let in, despite being responsible for the desperate economic conditions that make them flee.

The administration needs to reconsider the policy of fostering democracy through trade embargoes.

American policy has reached this impasse because of the belief that economic sanctions would restore Aristide if given a bit more time and fine-tuning. Yet given the objective—displacing those who exercise military control over the island—it is not possible to put serious pressure on the rich without squeezing the poor. At the same time, the fear of the ruling elites that they will suffer a flood of vengeance if they surrender, a fear that Mr. Aristide has done little to allay, save under open U.S. pressure, has made that surrender seem a dubious proposition indeed.

From the beginning, the logical terminus of this policy was force. But that too has drawbacks. It was long opposed by its putative beneficiary, Mr. Aristide, whose recent Delphic statement on the question (understood by the Security Council as indicating his endorsement of a U.S.-led invasion) provides ample room for backsliding. Given the long history of Haitian nationalism and the deep suspicion with which Haitians look upon the motives animating the cold monster to the north, the prospects for a successful occupation of the country seem none too good. The military intervention would have to be undertaken in the teeth of U.S. public opposition, for Americans are a long way from accepting the financial and human costs that are a necessary (though perhaps not sufficient) condition of a successful occupation.

Instead of advancing headlong into military intervention, the administration needs to reconsider the policy of fostering democracy through trade embargoes. Though ineffective in achieving the objectives of policy, such embargoes are terribly effective in inflicting griev-

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ous suffering on civilians, who are normally exempted in theory but never in fact from the reach of our sanctions. Attempting to extend democracy through trade embargoes violates two fundamental norms of the society of states—the prohibitions against intervention in the internal affairs of states and against doing harm to the innocent. Both, it may be noted, are rooted historically in internationalist doctrines.

Advocates of economic sanctions, whether against Haiti or China, have successfully defined the debate as being one between narrow self-interest and lofty ideals. If the United States is to be true to its 200-year heritage of freedom, they say, it must be willing to cut off economic ties with human rights abusers. The norm of nonintervention, according to this view, has little legal or ethical weight. Instead, nondemocratic regimes are considered illegitimate, their very existence violative of an emerging right to democratic governance. International law is held to approve every measure of harassment of such regimes short of actual invasion, including interdiction of their commerce by naval blockade. By promoting democracy through such methods, finally, we are supposed to further both our ideals and our security interests, because democratic states do not fight one another.

This consensus of opinion, I submit, is wrong—wrong in its understanding of the American tradition, wrong in its estimate of both customary and positive international law, wrong in its dismissal of the ethical basis of the nonintervention norm, and wrong in its characterization of American interests.

The democratists are right in only one thing: their estimate of the intrinsic value and potential exportability of American ideals and institutions. The constitutional principles on which this nation is founded—representative government, freedom of expression, the separation of church and state, the legal protection of private property and individual rights—*have* shown a remarkable ability to work their wonders in cultures vastly different from our own. Even if the whole package of American ideals and institutions appears as an alien imposition in some cultural contexts, or as dangerous to political stability if introduced all at once, it is difficult to think of any people in the world for whom the assimilation of at least some of these ideas into their governing practices would not be beneficial.

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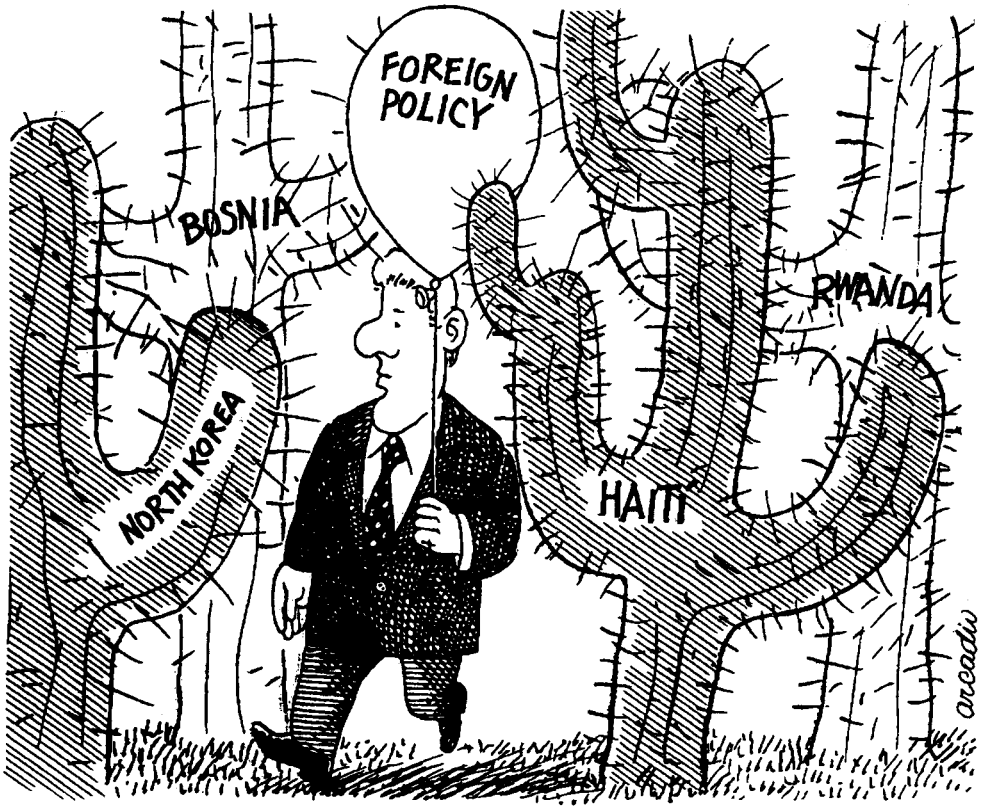

ARCADIO, COSTA RICA, CARTOONISTS & WRITERS SYNDICATE

The idea that the principles underlying the American regime might have universal applicability is as old as the founding of the country. Yet for much of the nation's history, this belief existed happily alongside the idea that we had neither a right nor a duty to intervene in the internal affairs of other states. These ideas were not seen to be contradictory; indeed, they originated in the same school of thought. The commitment to nonintervention, for example, arose from essentially the same logic as the commitment to religious tolerance; both of these norms of Westphalian internationalism were imported into the American constitutional order. Denial of legitimacy to other forms of government and intolerance of religious heretics were seen to cause perpetual war, and that was deeply offensive to American constitutionalism and internationalism. Throughout our history, American diplomatic utterances have been filled with denunciations of those projects, whether of the right or left—associated with Jacobinism, the Holy Alliance, and Bolshe-

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vism—which refused to recognize the legitimacy of governments founded on principles different from their own. These projects, all of which fatuously promised perpetual peace once the revolution was perfected, were condemned as being repugnant, in Alexander Hamilton's words, to "the general rights of nations, to the true principles of liberty, and to the freedom of opinion of mankind." Though the norm against internal intervention has often been breached by the United States in this century, particularly in relation to the states of Central America and the Caribbean, it was only seldom formally disavowed.

It will be argued, to be sure, that rights to certain political goods have become peremptory norms of contemporary international law. There are three considerations, however, that severely weaken this claim. One is that the same charters and declarations that contain statements of the democratic entitlement also reaffirm, often in the strongest terms, the norm of nonintervention in the internal affairs of sovereign states, while taking no account of the apparent contradiction. This textual peculiarity bespeaks confusion, not consensus, in the law of nations. Secondly, nowhere in the charters and declarations that ostensibly speak for all mankind is authorization given to employ either economic or military coercion to fulfill the rights proclaimed. A more explicit statement on this point would seem to be required to overturn a rule long embedded in customary practice and positive law. There is a striking contrast, finally, between the purported near-universal agreement on these norms and the reality of profound disagreement among actually existing nations and regimes, particularly those from the Islamic, Confucian, and Hindu worlds. The suspicion seems justified that our legal experts have mistaken a consensus among themselves for a consensus in international society.

The traditional nonintervention rule always had an important ethical component, which derived from the contribution its observance would make toward peace. It was based on the assumption that mankind would forever be riven into distinct collectives and that these entities needed rules of reciprocal conduct to regulate their inevitable competition. Given the heterogeneous and pluralistic makeup of this anarchical society, reason suggested the rule of mutual coexistence—of live and let live—and hence the de facto recognition of sovereignty

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and the adherence in good faith, if reciprocated, to the nonintervention norm. That reasoning remains highly relevant today. It seems obvious, to take only one example, that nothing would bring closer to fruition Samuel P. Huntington's prophecy of a "clash of civilizations" than a determined effort to deny legitimacy to nondemocratic states.

The second reason for questioning the ethical basis of this policy is that it seems inexorably to lead to the use of means that are intrinsically wicked. Such must we call means that lead to the foreseeable deprivation of civilians of food and medicine. It may well be that the effective conduct of foreign policy is inevitably associated with morally tainted methods. Nevertheless, resort to such methods needs to be sharply circumscribed by the test of necessity, a test that the democratist project does not meet. The attempt to extend democratic institutions through trade embargoes represents the commission of a certain evil on behalf of a good which such means seldom realize—not a good bargain even for Machiavellians and utilitarians, and clearly forbidden by the ethical traditions that do not allow good ends to justify evil means.

We cross a clear line in waging war against our modern infidels and tyrants.

It should not be surprising that the violation of a rule having such strong legal and ethical supports should have consequences that bear adversely on our interests; and so this policy does. In the Caribbean, we inflict misery on larger and larger swaths of the population, in the perverse hope that things will become intolerable. In Asia, the policy bids us to impose restrictions on American companies faced by none of their competitors, with the accompanying risk of commercial and geopolitical marginalization.

American foreign policy would be better if it could find a standard in which we helped those states making the transition to freer markets and democratic institutions without undertaking warlike measures against nondemocratic states for the crime of being nondemocratic. Such a policy recognizes that the community of democratic states should elicit our deepest sympathies, and that we should want to protect the zone of peace, prosperity, and freedom that it represents. But we cross a clear line in waging war against our modern infidels and

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tyrants, even if the war is of the long-distance variety now favored.

By lifting sanctions against Vietnam and by delinking trade from human rights in its China policy, the Clinton administration moved much closer to a reasonable standard in its first 18 months. In the Caribbean, however, it persists with the democratist project, leaving it with the choice of either continuing an inhumane policy or conducting a military intervention from which it understandably shrinks.

PROLIFERATING INTERESTS

IF EXTENDING democracy and human rights through economic sanctions has been the main project of the Democratic left, stopping the proliferation of nuclear weapons, if necessary through preventive war, has emerged as the main fixation of the Republican right. A substantial number of critics have thus declared that the acquisition of nuclear weapons by North Korea ought in itself to be a casus belli.

The position of the hawks has had at least the merit of clarity. This was not true of the administration's position, which characteristically warbled between hawkish and dovish tones. In November 1993, Clinton declared that "North Korea cannot be allowed to develop a nuclear bomb," a position that then Secretary of Defense Les Aspin characterized as an "ultimatum," but which was followed shortly by the CIA estimate that North Korea probably already had one or two nuclear weapons. Moving away from the threat of force, the administration then focused on the threat of steadily tightening economic sanctions as a means of putting pressure on North Korea—a strategy supported by neither Japan, which was expected to cut off the important remittances its Korean minority sends to North Korea, nor China, which viewed the threat of total isolation as counterproductive. As always, the administration seemed to be caught between its embrace of an ambitious objective and the imperatives of multilateralism. It could not retreat without exposing itself to the ridicule of the hawks. It could not advance without seriously compromising its relations with China, Japan, and possibly South Korea.

The North Korean crisis has been significant not only because of its war-producing potential, but because its resolution will have

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important bearing on the nuclear nonproliferation regime, whose centerpiece, the Nuclear Non-Proliferation Treaty (NPT), is up for renewal in 1995. In most respects, the arguments over the significance of proliferation are not new and remind us that though the Cold War has ended, all the critiques of containment and deterrence that raged during the Cold War have enjoyed a widespread revival.

Of all the positions in this debate, that represented by the nuclear hawks seems most dangerous. Its two main alarums—of inevitable war once North Korea gets the bomb and of the destruction of our alliances with South Korea and Japan—have the character of self-fulfilling prophecies and would be most likely to transpire were the hawks' view to dictate American policy. The error in this analysis stems above all from its super-heated reading of the motives that led North Korea to want a bomb. Not even a scintilla of fear is allowed to enter into the explanation of North Korean motives; instead, all its behavior is seen to stem from impulses of nihilistic aggression.

It is surely more plausible, however, to see North Korea's nuclear program as insurance against the strategic developments of the past five years, which bore witness to a steady worsening of its position and could not but appear as menacing to its political leadership. North Korea lost, and lost badly, the economic competition with the South. Its two protectors both turned away from it, the Soviet Union through its internal implosion and China through its opening of diplomatic and economic ties with South Korea. The loss of North Korea's strategic depth occurred simultaneously with the awesome demonstration of American power against a regime—Saddam Hussein's Iraq—with which North Korea was often paired in American thinking. Given the motives that this leadership imputed to the United States (which were, no doubt, of the same diabolical character as our hawks imputed to them), the pursuit of nuclear weapons plausibly offered them protection they could get nowhere else, even if it carried the risk of inviting the very attack they most feared.

This reading of North Korea's motives suggests that its acquisition of a nuclear capability is not a strategic danger meriting preventive war. Preventive war carries with it the serious risk of a catastrophe, because the North would set in motion its war machine in response,

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or the inevitably unilateral character of the action would destroy the confidence of Asian states in American leadership, or both. The threat posed by North Korea, though unwelcome, is deterrable. It needs to be met by military countermeasures (such as theater missile defenses and hardening against nuclear attack) rather than war, and by the declaration of U.S. solidarity with our allies in South Korea and Japan rather than the alarmist declaration that such a development would spell the end of our alliance system in East Asia.

The threat posed by North Korea, though unwelcome, is deterrable.

The possibility remains that North Korea can be coaxed out of its nuclear ambitions. All of the interested Asian parties—China, Japan, and South Korea—wish to see a gradual evolution rather than a violent end to North Korea's plight and can offer genuine incentives to the North to comply. China's role, in particular, will prove crucial. But it needs to be understood that China cannot prevent North Korea from getting the bomb unless it offers itself as a substitute for the protection nuclear weapons are meant to provide. And China cannot play this role if it presses North Korea in the draconian fashion wished for by the United States.

The hawks have taken the view that the danger of North Korea's nuclear program lies not only in its capacity to destroy the balance of power on the Korean peninsula but also in its exportability. The prospect of an Islamic bomb, particularly an Iranian bomb, hovers about the Korean crisis and gives it an apparent urgency it would not otherwise have. But this danger too needs to be tempered by a dose of realism. Given the general availability of technical know-how, it is most unlikely that the United States can prevent Iran from getting nuclear weapons if it really wants to, even if we are prepared, as the hawks doubtless are, to wage preventive war against Iran as well.

The potential nuclear capabilities of North Korea and Iran are linked in one crucial respect. They both attest to the continuing need for the United States to extend its nuclear umbrella over nonnuclear states within its alliance system—in Western Europe, the Middle East, and East Asia. Even though the risks for the United States entailed by such a policy are far less than they were during the Cold

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War, this conclusion will be unwelcome news indeed for both the nuclear hawks and the neo-isolationists. Both share, as they did during the Cold War, skepticism toward containment and nuclear deterrence. For the former, its riskiness offers a temptation toward preventive war; for the latter, its riskiness counsels withdrawal. Though the former course appears far more dangerous than the latter, extensive nuclear spread throughout the American alliance system would be destabilizing. The academic theorists of nuclear deterrence may be right in thinking that a nuclear peace rests upon solid foundations, and that the world should have no reason to fear a Japanese bomb, a Saudi bomb, or a German bomb, but fear them the world will.

If the policy of extended nuclear deterrence is accepted for the states within the American alliance system, it might seem an acceptable procedure to bestow the verbal pledge of protection everywhere we wish to prevent nuclear proliferation and thus, for example, protect Ukraine against Russia, or even less plausibly, Pakistan against India. The administration seemed to give such a guarantee in the January 1994 agreement ending the complicated negotiations it pursued with Russia and Ukraine to rid the latter territory of its nuclear leftovers. Though it remains unclear whether this pledge was in fact given by the United States, just as it remains unclear whether Ukraine intends to comply with the agreement (its parliament still having refused to ratify the NPT, which is a key condition of the entire package), it is doubtful whether American security is served by such an extension of the U.S. nuclear umbrella.

This is so for three reasons. First, the credibility of the undertaking is highly suspect. There must exist profound doubts about the political will and military capability in back of a guarantee of Ukraine's territorial integrity and political independence. Second, given the skepticism that exists over the viability of extended deterrence within the older alliance system, stretching these doubts through the admission of many other states into the charmed circle (either by the indefinite eastern extension of NATO or through bilateral undertakings) might well detract from the credibility of the entire policy. Finally, the extension of a security guarantee to Ukraine throws the United States into the middle of vexing bilateral questions

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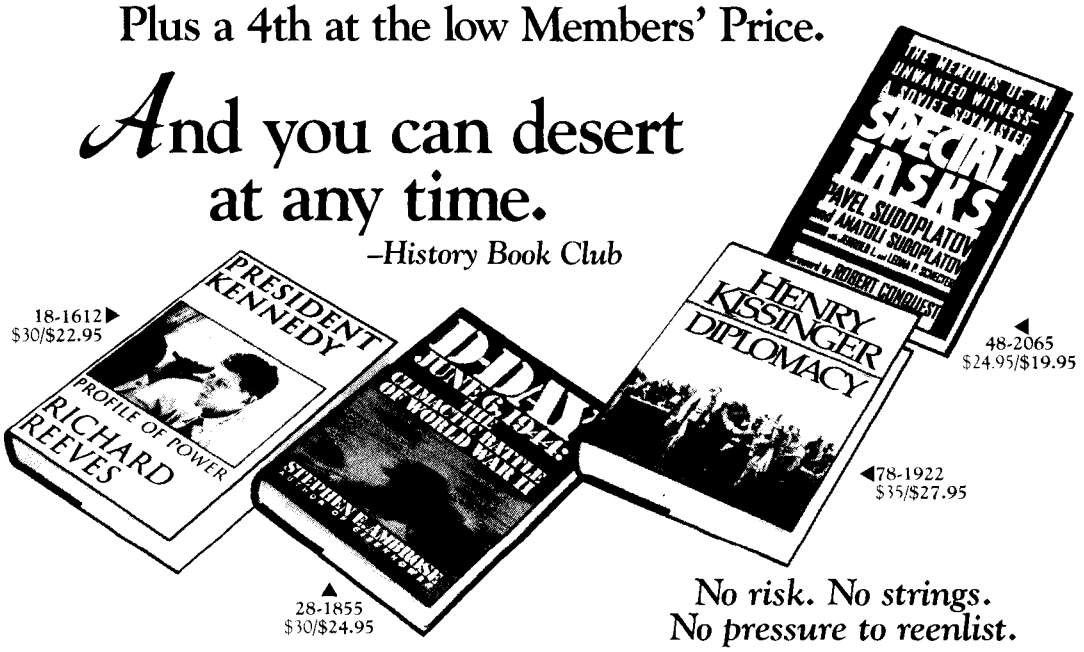

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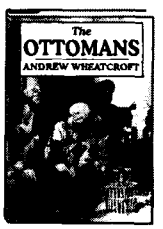

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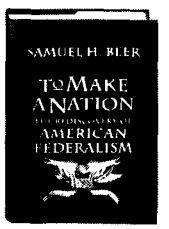

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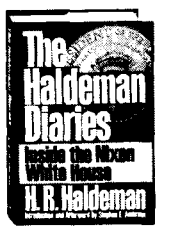

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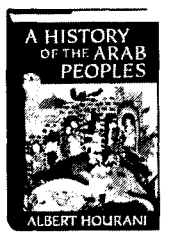

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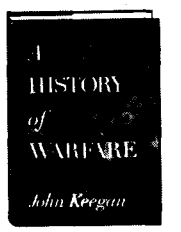

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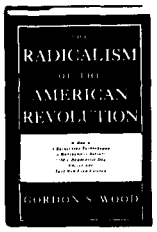

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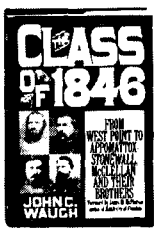

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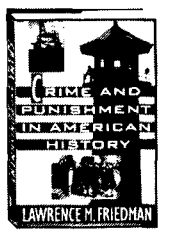

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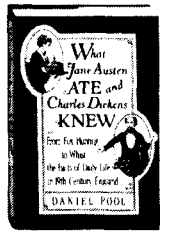

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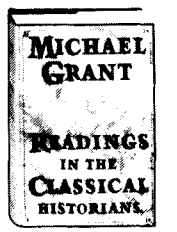

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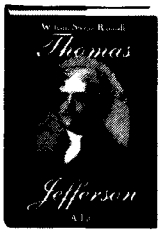

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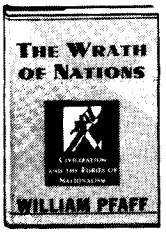

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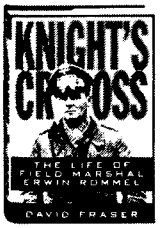

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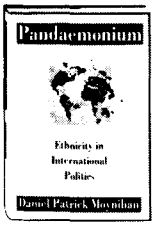

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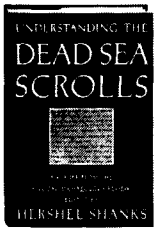

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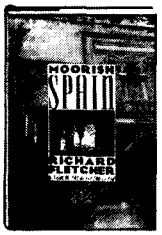

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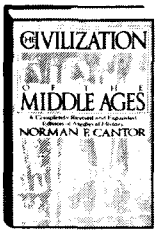

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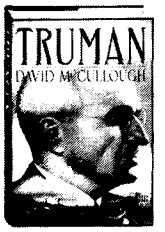

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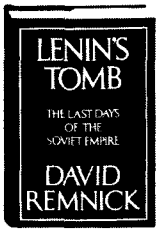

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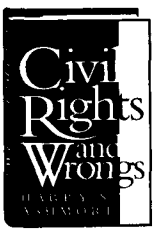

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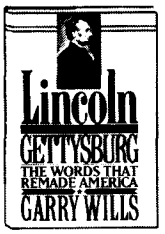

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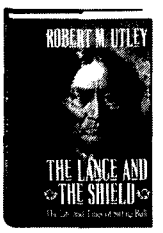

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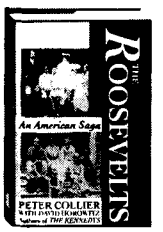

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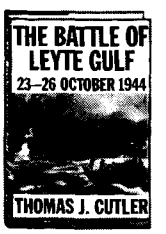

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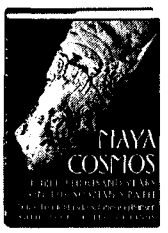

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between Russia and Ukraine toward which the United States should observe a policy of neutrality. Ukraine's calculation of the benefits and burdens of keeping a nuclear weapons capability to resist Russia should not be affected by pledges we have no intention of fulfilling and which force the American government to take positions on issues it is ill-equipped to understand, much less resolve.

This discussion of nuclear proliferation within a regional context shows how difficult it is to fashion a general policy regarding nonproliferation. Regional policy must involve the assessment and maintenance of the balance of power, the elaboration of spheres of influence, and plausible definitions of casus belli. The general U.S. policy toward nonproliferation, by contrast, seems hardly a policy at all but a stance of moral condemnation, resembling the old American doctrine of nonrecognition. The United States needs to fashion a policy that recognizes the value of the Nuclear Non-Proliferation Treaty as a way of building confidence for those states that genuinely abide by its terms, while also recognizing that a significant number of states will remain outside of the regime. Nuclear threats by states outside our security sphere to states within it should be met with containment and deterrence, not war or abandonment. That course represented the sensible middle ground of Cold War internationalism. We should return to it.

PROBLEMS OF PEACE

THE THIRD general area that has bedeviled Clinton's foreign policy falls under the rubrics of "peacemaking" and "peacekeeping," exemplified by the crises in Bosnia and Somalia. The latter intervention, even if it accomplished little lasting good in Somalia itself, had at least the merit of inculcating some useful lessons. It showed the intrinsic difficulty of successfully intervening in civil wars and reconstructing failed states. It demonstrated the lack of public support for such missions once they encountered the inevitable setbacks and difficulties. It offered a case study of the limits of a foreign policy of crime and punishment. Finally, it led to a new directive on peacekeeping missions that wisely retreated from the overly sanguine expectations held by the administration when it began its term.

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Somalia involved no great interest on the part of the United States; the intervention there could be abandoned with the same casualness as it was undertaken. In Bosnia, by contrast, crucial interests were at stake, though the administration's perception of what these were changed sharply over the course of its first 18 months. At the beginning, it saw the conflict as a clear-cut case of Serbian aggression. It considered the Vance-Owen plan, which promised 43 percent of Bosnian territory to the Serbs, a discreditable act of appeasement. The administration moved to establish a U.N. tribunal to try Serbs for war crimes, and it proposed to European allies a program for lifting the arms embargo on the Muslims and striking the Serbs with air power, with the ultimate aim of restoring Bosnia as a sovereign, multiethnic, and territorially intact state. The firm European rejection of "lift and strike" in May 1993 began a slow evolution toward a much different policy, culminating in the partition plan (awarding 49 percent of Bosnia to the Serbs) jointly presented by the powers to the combatants in July 1994. The European order, the administration came to appreciate, required acting in concert with the European Union and the Russian Federation.

Somalia established the limits of a foreign policy of crime and punishment.

The movement of policy on Bosnia paralleled that which took place over human rights policy toward China and nonproliferation policy toward North Korea. In all three cases, there emerged a profound incompatibility between the administration's initial objectives and the requirements of acting multilaterally. In no case was it reasonable for the Clinton administration to believe it might achieve its initial goals save through unilateral action. In each case, moreover, unilateral action promised to endanger interests of greater weight than those that would be secured through such action. It was in the Bosnian crisis, indeed, that the weight of allied disapproval was felt most intensely by the administration. Once it became clear that the interests at stake in Bosnia concerned the future of the post-Cold War order in Europe, the administration evidently concluded, and for good reason, that it would be absurd to pursue a course of action that would estrange the United States from both Europe and Russia while

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drawing the nation, in a solo role, deeper into the Bosnian quagmire.

The ultimatum laid down by the powers in the summer of 1994 much resembled the method of the nineteenth-century European concert. By its very nature, the partition plan represented a compromise among the varied perspectives each of the major states brought to bear, but the plan was for that very reason fully satisfactory to none of these states, nor, of course, to the Muslims or the Serbs. The Clinton administration, as in other areas where it had retreated from its stated aims, was not well placed to defend the proposed accord, since the administration had previously condemned as unjust a proposed settlement (the Vance-Owen plan) that pressed even harder against Serbian interests. Given its own stated convictions, its case had to rest on the priority of order over justice, but its pronouncements seemed riven by the doubt that it could make that case persuasively to Congress or the American people.

It is typical of the Bosnian hall of mirrors that a plan initially condemned as a diktat imposed on the Bosnian Muslims should, at the end of the day, emerge as the means by which the Muslims might gain the lifting of the arms embargo. Even without that formal step, Bosnian military commanders believe that their position has stabilized and enables them to take the offensive. With their grudging acceptance of the peace plan, they have probably ensured that there is a limit to the reverses the United States would allow in the event their offensives failed and their position worsened. None of the things the United States did to improve the Muslim position in the past year—pressure on the Croats to join the Muslims in confederation, the access to arms that the Muslims gained from this re-alliance, and the U.S. commitment to the resupply of Muslim enclaves—appears threatened by the latest round of negotiations.

Nevertheless, there is reason for caution. First, the lifting of the arms embargo is likely to lead to much deeper U.S. military involvement, if only to counter the stepped-up military activity of the Bosnian Serbs. Second, it should be made clear to the Muslim leadership that a deepening of U.S. military involvement is conditional on their genuine acceptance of the peace accord. It is not enough for them to sign, while at the same time making declarations to the press that they

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consider their signatures as worthless as the whole agreement. Securing their agreement to limited aims, finally, is likely to prove indispensable in laying the diplomatic basis for continued European and Russian cooperation, as well as in securing Serbian President Slobodan Milošević's support for pressure on the Bosnian Serbs. The more extensive our war aims become—or the more unconditional our military support to the Bosnian Muslims—the greater the likelihood of increased intervention from Serbia itself and of the loss of diplomatic support from Europe and Russia. The maintenance of that concert, in the end, remains of far greater moment for European order and American interests than the precise disposition of the Bosnian civil war.

INTERNATIONALISM RUNS AMOK

WHEN THE Cold War ended, the advance parties of American internationalism claimed a number of ambitious outposts. Deprived of the disciplining restraint once imposed by the Cold War, a great expansion took place in the objectives it seemed plausible for the United States to pursue in the world. The goals of that activist agenda are broadly identified with internationalism. The critique of this agenda, by contrast, is normally denigrated as isolationism. Yet in crucial respects the activist agenda is incompatible with the traditional meaning of internationalism. War or warlike measures against other states because of their undemocratic character violates the norm of nonintervention. Preventive war against nuclear proliferants violates the prohibition against the first use of force embedded in most past attempts to make the realm of power politics submit to law, a crucial feature of American internationalism in this century. These are basic rules in the internationalist understanding of the society of states, which has always occupied a middle position between realpolitik and revolution—the former holding that there are no legal and moral rules binding together the society of states, and the latter seeking the abolition of the state system by denying legal or ethical standing to the principle of sovereignty. It is difficult to see how a stable international order could be achieved today if the internationalist norms forbidding intervention and preventive war were continually violated by the world's most powerful state.

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The activist agenda not only violates the traditional meaning of internationalism; it also regularly places the United States in opposition to allied states and other regional powers. Among the miracles it promises is a position of world leadership without any followers among the advanced industrialized democracies or the permanent members of the U.N. Security Council. It has done so most strikingly in the Bosnian and North Korean crises, where the activist agenda is shot through with unilateralism. To lift the arms embargo against the Muslims in defiance of Britain, France, and Russia, to wage preventive war against North Korea in defiance of China, Japan, and South Korea—this agenda is at fundamental cross-purposes with a policy of internationalism, which has always been identified with the virtues of acting in concert rather than unilaterally.

The Clinton administration's dilemma in foreign policy may now be placed in clearer perspective. In its most serious external crises, it has found itself caught between its embrace of objectives that led inexorably toward unilateralism, and a modus vivendi that has emphasized multilateralism within both allied councils and the U.N. Security Council. Clinton probably realized that his domestic priorities would weigh down his foreign policy agenda, but he was doubtless unprepared for the opposition his activist objectives would elicit among the great powers, with whom good relations were usually important and sometimes crucial. The administration tried to square this circle in its first year, found that it could not, and subsequently tried to walk back the cat in several areas.

A retreat from the advanced positions taken at the outset of the Clinton administration was surely necessary. In retrospect, it seems like historical inevitability. Unfortunately, there was no way to undertake this retreat without embarrassment; public relations offices cannot make contradictions at the core of a policy go away. Nevertheless, the administration has in many cases worsened its predicament by giving the appearance of being dragged, kicking and screaming, to a more limited and sensible policy. It could do worse than consult the advice of Richard Nixon, recalled by Henry Kissinger in his eulogy of the departed statesman: "The price for doing things halfway is no less than for doing it completely, so we might as well do them properly."

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Far from representing the abandonment of internationalism, such a turn in policy is better understood as the recovery of it. Its philosophical attractiveness apart, it also carries with it a number of practical advantages. It does not continually raise the prospect of offensive war. It avoids the unpleasant and unanticipated consequences that normally follow from the pursuit of the activist agenda. It offers a basis for the continued well-being of America's alliances because it is based on the understanding that a condition for exercising leadership is to take allies' perspectives seriously. It requires only that we abandon the illusion of a kind of leadership we are not really prepared to exercise on behalf of a vision of world order the price of which we have no intention of paying.

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Why the U.N. Fails

Saadia Touval

IT CANNOT MEDIATE

ONLY A FEW YEARS ago it was widely expected that the end of the Cold War would lead to the rebirth of the United Nations. Between 1987 and 1991, the United Nations mediated a series of agreements that helped end fighting between Iran and Iraq, led to the withdrawal of Soviet forces from Afghanistan, established a broad-based coalition government in Cambodia, and ended El Salvador's chronic civil war. This brief window of success encouraged the view that it was the Cold War that had prevented the United Nations from being an effective mediator. The East-West standoff, many surmised, had made the collective security mechanism, envisaged by the U.N. Charter and premised on great power cooperation, a dream deferred.

That dream has already lost much of its promise. In hindsight, those successes clearly stemmed from unique circumstances. Successful U.N. mediation was made possible by the exhaustion of local parties and the unwillingness of external powers to continue supporting clients whose usefulness had expired with the Cold War. Iran and Iraq accepted a U.N.-brokered cease-fire only after they had spent themselves in an eight-year battle of attrition. The Soviet Union was eager to withdraw from a losing venture in Afghanistan, and U.N. mediation provided it with the face-saving mechanism to do so. Once denied Soviet backing, the Vietnamese desired to reduce

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SAADIA TOUVAL is currently a Peace Fellow at the United States Institute of Peace in Washington. He is former Professor of Political Science and Dean of the Faculty of Social Sciences at Tel Aviv University.

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their commitments in Cambodia, as did the Chinese who, in the wake of the Tiananmen Square massacre, wished to dissociate themselves from the Khmer Rouge and improve their international image. In El Salvador, both superpowers wanted to disengage and pressured their respective allies, themselves discouraged by an inconclusive war, to modify their positions.

Those heady days inspired the false hope that the United Nations could be an effective mediator of international disputes. Since then, U.N. negotiators, however talented and experienced, have tried for years to resolve or reduce conflicts in Afghanistan, Angola, Haiti, Somalia, and the former Yugoslavia, all without success. In fact, U.N. mediation seems to have extended or aggravated many of those disputes, as belligerents have been able to manipulate the organization's obvious weaknesses. And today none of those U.N. failures can be blamed on the Cold War.

It is increasingly apparent that the United Nations possesses inherent characteristics that make it incapable of effectively mediating complex international disputes. Yet because of its brief period of success, an egregious gap has grown between popular expectations and U.N. abilities. As currently constituted, the United Nations has great difficulty performing many basic functions required of an effective mediator. It does not serve well as an authoritative channel of communication. It has little real political leverage. Its promises and threats lack credibility. And it is incapable of pursuing coherent, flexible, and dynamic negotiations guided by an effective strategy.

Those limitations are ingrained. They are embedded in the very nature of intergovernmental organizations, and no amount of upgrading, expansion, or revamping of U.N. powers can correct those flaws. Rather, it is time to recognize U.N. shortcomings and to quit dumping on the organization tasks that it cannot perform. It is urgent instead to devise a mechanism whereby the United Nations can encourage individual states, under their own flags, to assume the risky and thankless task of mediating those conflicts that they have the best chance of resolving. Sponsored by the United Nations, unilateral mediation by great powers or other states who have a vested interest

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in conflicts within their sphere of influence offers the best chance to salvage waning U.N. prestige and to secure for many regions the peace that has been so elusive in recent years.

THE RISE OF THE LAST RESORT

FORMER SECRETARY General U Thant has offered part of the explanation for the disappointing U.N. record as a peacemaker: "Great problems usually come to the United Nations because governments have been unable to think of anything else to do about them. The United Nations is a last-ditch, last resort affair, and it is not surprising that the organization should often be blamed for failing to solve problems that have already been found to be insoluble by governments."[1]

It is this category of "orphan" conflicts, which states will not mediate on their own, either because they have more urgent priorities or because they are loath to commit their prestige and resources to a risky or peripheral endeavor, that are placed in the public charge, thrown into the lap of the United Nations or other international organizations. By their very nature they are the most intractable disputes and require effective mediation, especially as they are often among the most costly in terms of lives and human suffering. This was the case during the Cold War, and it remains so in the present era, with the difference being that the number of orphan conflicts is growing.

States make the primary decisions about mediation. They decide whether to exert efforts to help settle a conflict and, if so, whether to act alone or through the United Nations. A state external to a dispute typically initiates mediation for self-interested reasons. The stakes of the Cold War usually prompted states to mediate on their own rather than through the United Nations. The United States, for example, mediated between disputing NATO allies Greece and Turkey. It mediated between its allies and anticolonial forces, as in the Anglo-Iranian and Anglo-Egyptian disputes. It also mediated between newly independent states in order to prevent Soviet gains, for example, between

[1] U Thant, *View from the U.N.*, Garden City, NY: Doubleday & Co., 1978, p. 32.

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Indonesia and Malaysia, and Egypt and Israel. Other states have launched mediation efforts for similar self-interested reasons. The Soviets mediated between India and Pakistan at Tashkent; France mediated between Mali and Senegal and recently between Cameroon and Nigeria; India mediated in Sri Lanka; and Saudi Arabia has frequently mediated between disputing Arab parties.

Disputants often accept such interventions because they hope a mediator can help them win better terms than they could attain on their own, or because they fear that rejecting mediation might lead the third party to support their enemy. Mediation may, of course, also be driven by altruism. But self-interest is a useful working assumption, helping to explain much of the mediation in contemporary international politics.

It is time to quit dumping on the United Nations tasks that it cannot perform.

The number of orphan conflicts, which includes those in Bosnia and Somalia, has grown in the post-Cold War era. States have seemingly broadened their perceptions of self-interest, perhaps in response to the pressure of public opinion, to include issues such as stemming refugee flows and humanitarian abuses. This broader range of concerns has prompted states to refer to the United Nations the mediation of conflicts in Haiti, Liberia, Nagorno-Karabakh, Rwanda, Somalia, and the former Yugoslavia. At the same time, however, the great powers have become more reluctant to expend blood, treasure, and prestige to resolve this longer list of disputes that are nettlesome but do not directly threaten their security.

It is not necessarily the fault of the United Nations that it has been asked to mediate an increasing number of disputes. While the United Nations has certain institutional interests of its own, it is primarily an instrument of its membership. The secretary general is constrained by the views and interests of the Security Council's five permanent members. To accomplish any significant intervention, he needs their active support. This fact is demonstrated by Boutros Boutros-Ghali's efforts to engage the United Nations in Somalia and Rwanda. The United Nations mediates only to the extent that its membership desires and provides it with the necessary material and

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diplomatic resources. Unfortunately, states have become more likely to want the United Nations to mediate in situations where the organization has less chance of success than bolder and more persistent action by states themselves. Moreover, states have often become less forthcoming with the kinds of military or monetary support that might enable greater success.

DUMPING ON THE UNITED NATIONS

WHY WOULD A STATE choose to pursue mediation through the United Nations? Contrary to popular belief, fears about legitimacy or antagonizing other states are not the most likely reasons. Those concerns cause states to use the United Nations to pursue military peacekeeping operations, not mediation. Since peacekeeping involves the movement of troops across borders, a multilateral framework gives all states a voice in that delicate process, alleviates apprehensions that deployment will harm the interests of other states, and constrains the self-serving impulses that might surround unilateral action. The U.N. imprimatur, then, legitimizes peacekeeping operations.

Mediation, on the other hand, while it may provoke some antagonism from rivals, is a diplomatic rather than military activity and tends to arouse less opposition. The West, for instance, did not object to Soviet mediation between India and Pakistan, and the Soviets took relatively mild diplomatic measures to obstruct American mediation between Egypt and Israel. These attitudes reflect a long-standing principle of international law, affirmed in the 1907 Hague Convention on the Pacific Settlement of International Disputes: "Powers strangers to a dispute have the right to offer good offices or mediation even during the course of hostilities. The exercise of this right can never be regarded by either of the parties in dispute as an unfriendly act."[2]

States most eager to mediate a conflict are those with important interests at stake, such as neighbors or great powers. But disputants are sometimes wary of such meddling. Thus a state that wants to reduce a conflict

[2] The Hague Convention I, Article 3, *United States Treaty Series*, 36 stat. 2199, no. 536.

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PHOTOGRAPH BY FILIP HORVAT, SABA

U.N. peacekeepers: confused about their mission?

but cannot win acceptance as a mediator may channel its efforts through a multilateral organization. The United States, for example, has engaged the Organization of American States to help settle conflicts between Latin American states, and it has worked through the United Nations to mediate between India and Pakistan, between Greeks and Turks in Cyprus when Archbishop Makarios objected to American initiatives, and at certain times between Arab states and Israel.

Channeling mediation through the United Nations is also advantageous when states desire a division of labor. States may enjoy varying degrees of access to and influence over disputants, as was the case in Cambodia. The efforts of several states coordinated through the

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United Nations proved more effective than would have been those of any single state. Furthermore, if implementing a settlement is expected to require costly field operations, such as those in Cambodia and Namibia, a state may wish to enlist the resources and help of others. In particularly sensitive negotiations, using a multilateral organization distributes the burden of responsibilities—or blame—and enables a state to limit the risks to its resources and prestige. Such concerns have obviously motivated states to pursue mediation through the United Nations in the former Yugoslavia. U.N. mediation has served as a buffer to protect states from the possibly damaging consequences of a failed peacemaking process.

Yet pursuing mediation through the United Nations carries serious disadvantages. The intervening state in effect relinquishes control over the proposed policy. A state's desired course of action may not win the support of others, or it may be modified until it no longer suits the state's interests. Multilateral negotiations, moreover, require a time-consuming and uncertain process of consultation and coordination among a large number of actors. If reducing a conflict is considered urgent, a state may prefer to act alone rather than submit to the uncertainties and delays of multilateral diplomacy. Also, the benefits of success—taking credit for a settlement, winning the goodwill of disputants, or excluding a rival from a region—may be lost.

For disputants, too, U.N. mediation is a mixed bag. A disputant may prefer U.N. mediation if it is wary of entirely rebuffing the mediation offer of a particular state. But parties eager for a settlement, or those who desire strong guarantees of its terms, may prefer direct state mediation. The Bosnians have preferred the United States to the U.N.-European Union effort, for example, and Egypt in 1974 and 1977 wanted an exclusively American interlocutor rather than mediation through the United Nations or jointly with the Soviets. Alternatively, U.N. mediation affords greater opportunities to play participants in the mediation process against each other. Disputants thus sometimes choose a multilateral organization in an effort to deflect the pressure that a single state mediator might bring to force an undesired settlement.

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THE BAD MEDIATOR

GRANTED, THE United Nations is saddled with the most intractable disputes, but its poor mediation record is nonetheless troubling. The reason is that the United Nations possesses inherent qualities that render it ill-suited to the task. One need only look at the functions that mediators must perform, then look at the United Nations, to sketch a stark contrast.

Mediators must offer their "good offices" to help disputants communicate. They try to persuade each party to change its image of the adversary or to interpret the adversary's behavior in a manner that will facilitate a settlement. Mediators can help a party understand its adversary's concerns and constraints. They also suggest compromises and help parties save face in making concessions. Disputants, for example, often believe that it is less damaging to their reputations to accept a proposal made by a mediator than an adversary.

Mediation stands a better chance of succeeding when a conflict is "ripe"—that is, when adversaries feel exhausted and understand that the continued pursuit of their goals through other means would be costly or dangerous. But mediators can induce ripeness and contribute to the making of a "hurting stalemate." They help create a disposition among the disputants to settle the conflict. Having an interest in a settlement, mediators sometimes bargain with the parties, offer them incentives, or subject them to pressure in order to induce them to accept specific settlement terms. Finally, if an agreement is reached, mediators may provide guarantees that its terms will be honored and implemented.

Thus a successful mediator must be able to influence disputants to modify their positions. Foremost, it needs leverage. Some of a mediator's leverage derives from the very nature of a three-sided process. Like any triangle, the shape of a mediated negotiation contains the potential for a coalition to be formed. The possibility of the mediator lending support to one's adversary makes each disputant more dependent on the mediator and endows the mediator with bargaining power and influence. Such concerns, for example, were very much on the minds of Greek and Turkish leaders when the United States tried to

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mediate the Cyprus conflict in 1964 and 1967. But leverage also derives from military and economic resources, which great powers have in abundance. For example, by offering Egypt and Israel economic and military assistance, the United States was able to induce them to make important concessions leading to the Camp David accords.

Part of the U.N. problem is that it has no readily accessible military or economic resources of its own. It is entirely dependent on member states, or at least some of them, to provide the resources necessary for a successful mediation. The United Nations cannot even harness the assets of international financial and trading institutions. Doing so depends yet again on the decisions of member states. A U.N. mediator cannot commit the International Monetary Fund or World Bank to provide credits to reluctant disputants. While U.N. member states might theoretically be able to pool their resources and enhance the organization's bargaining power, that type of cooperation seldom comes about. Governments are usually reluctant to commit resources to such a venture, negotiations for such commitments are slow and cumbersome, and the resources states do make available are often inadequate.

U.N. credibility is eroded by its inability to pursue a coherent mediation.

These U.N. weaknesses are perceived by disputants. Parties are likely to doubt that U.N. promises of assistance or threats of punishment will actually be fulfilled. The same holds true for other international organizations. When Jacques Delors, president of the EC Commission, tried to mediate between the disputing Yugoslav parties in the spring of 1991, he promised that the EC would provide financial assistance and conclude a favorable trade agreement if the Yugoslavs compromised on restructuring the federation and avoided a breakup. But the promise carried little weight because Delors did not have the authority to commit EC states and could not credibly deliver.

Leverage is, of course, also a matter of legitimacy and credibility. This is the main U.N. asset: the aura of legitimacy its actions carry as representing the consensus of the international community. But U.N. credibility is consistently eroded by its inability to formulate and pursue the kind of coherent policy essential to mediation. A mediator

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must be able to pursue a dynamic negotiation, reacting to events quickly, seizing opportunities, and having the necessary flexibility to adjust positions and proposals as the situation unfolds. States often have difficulty in meeting those demanding requirements. For the United Nations, it is nearly impossible.

That kind of policymaking, even for a state, requires constant trade-offs between inconsistent goals and compromises among multiple participants. Policymaking within an international organization does not merely add another layer of bargaining and trade-offs. It is qualitatively different. There is no ultimate authority empowered to decide between competing proposals. Voting rules give the appearance of effective decision-making capacity. Security Council decisions, for example, are made when 9 of 15 members vote in favor, provided that none of the permanent members casts a veto. In reality, however, those rules do not eliminate the need for consensus. When pursuing mediation, intergovernmental organizations adopt only those measures on which consensus is possible. Issues and measures on which unanimity cannot be achieved are usually excluded. Even those decisions that are adopted are likely to be hedged and balanced. They are often ambiguous, reflecting a compromise based on the lowest common denominator.

This tortuous decision-making process saps the United Nations of necessary dynamism and flexibility in pursuing mediation. Once the United Nations agrees on a mediating proposal or framework, it cannot easily be modified in response to changing circumstances. Modification requires renegotiation among U.N. members, an often lengthy process that delays mediation. Thus the U.N.-EU commitment to the Vance-Owen plan constrained their ability to adapt to new conditions once the Serbs rejected it in the summer of 1993.

U.N. decisions are further weakened in the practice of day-to-day diplomacy. U.N. representatives need to be backed fully by the member states. But inevitably member states speak with different voices, and mediation efforts lack a coherent strategy. Again, the Vance-Owen plan serves as an example. While official mediators and some states were trying to persuade parties to accept the proposal, the United States indicated that it did not support it. Such discord under-

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mines a coherent mediating position. It reduces the mediator's leverage and strengthens the hand of disputants. It provides an opening for a disputant to divide both the mediator from its adversary and the mediators among themselves.

The United Nations comes to mediation encumbered. It is bound not only by its own general principles but also by specific resolutions reflecting the membership's consensus about the principles upon which a settlement should be based. Such resolutions "instead of being pointers to a settlement . . . become a prison," restricting the mediators' room to maneuver.[3] For example, the admission of Bosnia-Herzegovina to the United Nations, and the subsequent resolutions affirming its sovereignty, territorial integrity and political independence, restricted the ability of U.N. and EU mediators to trade territory for peace.

Besides hindering the bargaining process, a lack of credibility can be fatal once negotiators must construct guarantees for implementing and observing an agreement. After the often incoherent U.N. negotiating process, disputants will have greater difficulty putting their faith in U.N. guarantees. Guarantees by great powers, motivated by a transparent self-interest, are likely to be more credible. It required an American presence in Sinai, unencumbered by U.N. auspices, to assure Egypt and Israel that their accord would be respected. An American commitment of ground troops to serve as a buffer between contending parties in Bosnia may similarly be required to lend credibility to any future settlement.

RENDER UNTO STATES . . .

THE PROBLEMS IN using the United Nations as a mediator are ingrained in the nature of intergovernmental organizations. No degree of devolution to less cumbersome multilateral organizations or U.N. restructuring is likely to improve U.N. performance. Moreover, member states are unlikely to agree to the kinds of reform required for

[3] Sydney D. Bailey, *How Wars End: The United Nations and the Termination of Armed Conflict, 1946-1964*, Oxford: Clarendon Press, 1982, vol. 1, p. 168.

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the slimmest hope of making a significant difference in U.N. abilities.

Decentralizing mediation efforts by making greater use of regional organizations might ease the plight of the overburdened U.N. Security Council and Secretariat. It might also place greater responsibility on those states closest to the conflicts and presumably most interested in their resolution. Unfortunately, such a course is unlikely to be an improvement. Most of the problems that hamper the United Nations also impede regional organizations. They, too, are hindered by complex decision-making procedures, the inability to effectively commit usually scant state resources, and hence insufficient flexibility and leverage. By their very nature as intergovernmental organizations, they are incapable of pursuing coherent, flexible, and dynamic negotiations guided by an effective strategy.

Intractable disputes are best mediated by states, with the U.N. lending support.

To transform the United Nations into an effective mediator, states would have to agree to binding decisions by majority vote. U.N. mediators would have to be authorized to commit the membership to a course of action and to harness the resources of international financial and trade institutions as sticks and carrots. Member states, moreover, would have to learn to speak with one voice and refrain from any action that might undercut mediation efforts. But any of these ambitious reforms is difficult to imagine in the foreseeable future.

Instead of pursuing such quixotic reforms, it would be far simpler, more realistic, and probably more effective to focus on the particular problem of orphan conflicts. The United Nations should draw lessons from its more successful mediating efforts to develop mechanisms for an efficient division of labor between member states and the organization, allowing each to contribute what it does best.

The U.N. mediation in Afghanistan and between Iran and Iraq teaches that, when major powers are unwilling or unable to engage in peacemaking, international civil servants may succeed in laying the groundwork for direct state intervention at another time. International civil servants may serve best by facilitating greater understanding of adversaries' positions and clarifying their concerns. They can

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also develop ideas and alternatives that might advance a settlement, then test and refine those proposals in discussions among the parties. They can help keep the major powers informed about the thinking of the disputants and the possible approaches to a settlement that have been discussed. Thus, once circumstances change, or a state becomes interested in mediating on its own, or several states decide to act in concert to assist the international effort, an agreement will be that much easier to conclude.

Cambodia suggests another lesson. Peacemaking there required negotiation with several disputants, each supported by one or more intervening states. Those negotiations were conducted primarily by states. But international organizations, such as the Association of Southeast Asian Nations and the U.N. Security Council, made a crucial contribution by providing the framework and forums for negotiation and helping coordinate state policies. Thus in conflicts in which peacemaking requires cooperation among several intervenors, international organizations, in particular informal discussions in the Security Council, can provide the framework for concerted action. They can also serve as a flywheel, energizing the foreign policy machineries of the major powers and keeping them focused on a problem even when it is not perceived as urgent.

The most radical departure from present U.N. practice would be a reversal of roles. Instead of states referring the most intractable disputes to the United Nations, it would be the United Nations that would charge a state with mediating such disputes. The United Nations would encourage a state especially concerned by a conflict, but averse to assuming the risks of mediation, to overcome its reluctance. The United Nations would use the expectations and moral authority of the international community to energize those efforts. If a settlement depends on guarantees that the mediating state is reluctant to extend, the United Nations could coordinate a joint commitment by major powers to bolster those guarantees. If mediation by a major power arouses fears that peacemaking might be used to establish dominance of a region, as is currently the concern with Russian diplomacy in the former Soviet republics, the Security Council might prescribe guidelines that would encourage peacemaking efforts while

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constraining the mediator from harming the interests of others.

Other forms of allocating tasks between the United Nations and states can undoubtedly be devised. It is important, however, not to charge the United Nations with responsibilities that it is ill-suited to perform. Difficult disputes should not be thrown into the lap of the United Nations or regional organizations. Instead of putting the United Nations or other international organizations at the center of mediation efforts and exhorting states to support them, the roles should be reversed. Intractable disputes should be mediated by states motivated by self-interest to do so and possessed of the resources and credibility for effective negotiation, with the international community lending encouragement and support through the United Nations. Otherwise, the new world disorder will continue apace.

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Russia's Success Story

Anders Åslund

CHERNOMYRDIN PULLS IT OFF

THE RUSSIA EMERGING today is very different from what pessimists have prophesied. It is not falling apart but coming together. The new political institutions function. Strikes are rare, and no serious social unrest is on the horizon. Incredibly, most of the Russian economy, measured by either employment or output, has been privatized in just two years. Russia has already become a market economy, but one in the midst of a long-overdue and massive restructuring. In short, Russia has undergone fundamental changes and appears to be on the right track.

The Western caricature of Russia as a destitute country on the verge of either collapse or falling into the hands of fascists could not be more wrong. Naturally, things are far from perfect, but no one thought communism would go away without costs. In a new openness all problems are discussed in the Russian media, and often exaggerated. But few in the West write about Russia's successes, like the end of shortages and the risk of famine. Moreover, the true disaster of other former Soviet republics is often confused with Russia's. Of course major problems such as crime and inflation remain in Russia, but even monthly inflation fell to five percent in June. More daunting is the task of building a system of

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ANDERS ÅSLUND is a Senior Associate at the Carnegie Endowment for International Peace and is writing a book about Russia's transformation to a market economy.

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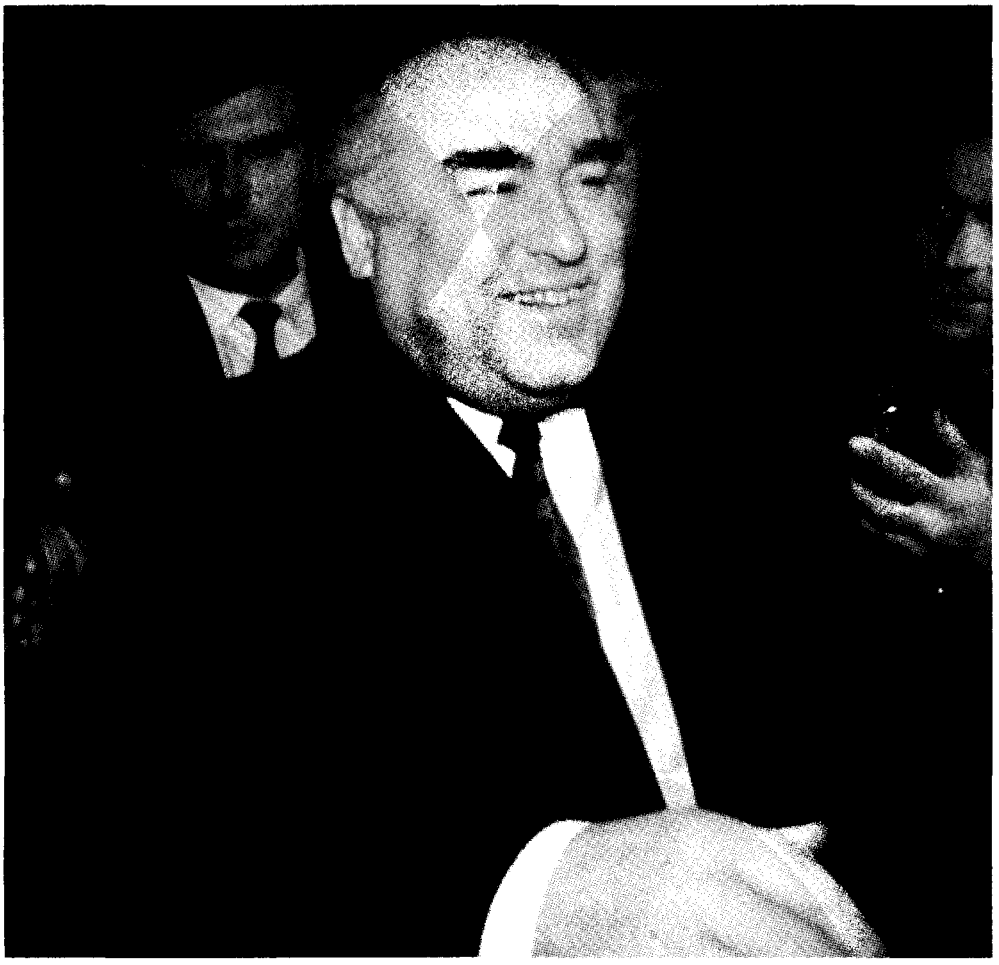

PHOTOGRAPH BY NICHOLL, KATZ/SABA

To Viktor go the spoils

rule of law, which has been a cumbersome process all over Eastern Europe. The situation is worse in Russia, but far from hopeless.

NATION-BUILDING IS WORKING

RUSSIA'S PARLIAMENTARY elections in December 1993 left the West in despair. The extreme nationalist Vladimir Zhirinovsky was touted as Russia's new leader. In fact, his Liberal Democratic Party gained only 14 percent of the seats in the State Duma, the lower house of the new Federal Assembly, and a bare handful in the Federation Council, the upper chamber. Zhirinovsky's impact on Russian policy-

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making has been minimal, and his deputies have deserted him in droves. The real winner of the elections has turned out to be Prime Minister Viktor Chernomyrdin, a 55-year-old engineer of traditional Soviet stock who was not even a candidate for parliament.

Until December 1993, Russia's fundamental political problem was that it suffered from the Soviet Russian constitution, which declared the predemocratic parliament sovereign. The old Supreme Soviet took its sovereignty and supremacy seriously, trying to exercise both executive and judicial power. In December 1993 the voters ended this anomalous situation by adopting a new constitution. Reminiscent of the French constitution, it provides for a parliamentary system with an ordinary division of power between a strong executive and a parliament reduced to a legislative role. It is not surprising, therefore, that Russian politics has acquired a certain resemblance to French politics, with a weak parliament and continuous strife between the staffs of the president and prime minister.

The new State Duma has proved far more responsible and moderate than expected. The most common complaint is that it does not adopt more laws, but the prolific and arbitrary lawmaking of the old Supreme Soviet prompted the introduction of safeguards against hasty decisions by the Duma. A vital improvement is that the deputies of the Duma are disciplined by 11 political parties, which act in coordination. Single deputies can no longer be bought, as the parties check vested interests. Previously, state enterprise managers comprised the main pressure group, but their party, the Civic Union, received only two percent of the popular vote last December and failed to get representation in the Duma. As in most modern democracies, agrarians form parliament's main lobby, with 12 percent of the deputies.

Prophecies that the Russian Federation would suffer the same fate as the Soviet Union have not held. Parliamentary elections and the adoption of the new constitution through a referendum were acts of nation-building that reinforced Russia's legitimacy. After all, 85 percent of the population is ethnically Russian, so the ethnic underpinnings of separatists are weak. Potential separatist entities are all less democratic than Russia, a fact that undermines their legitimacy. Since most economic powers have devolved from Moscow to regional gov-

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ernments, there is little incentive to claim independence. At the beginning of 1994, Russia introduced a new tax system based on enlightened ideas of fiscal federalism. As Moscow no longer irritates the regions, their protests have died down.

After two years of tortuous and destabilizing ambiguity, with several republican central banks issuing rubles, the ruble zone was finally dissolved last year. The cost of this institutionalized monetary irresponsibility was high. No less than 10 of 15 former Soviet republics experienced hyperinflation last year. Only the most reformist states—the Baltic states, Russia, and Kyrgystan—escaped such hardship.

Russia has effectively nationalized the ruble and prompted all the other republics except war-ridden Tajikistan to introduce their own currencies. Each republic is now responsible for its own monetary policy, which is a prerequisite of monetary stabilization. In early January, Russia and Belarus signed an agreement on monetary union. After many additional negotiations and a few accords, free trade has been agreed on, but monetary union remains elusive. If it were created, monetary union would hardly be destabilizing, because Russia insists its central bank would be the sole issuer of money, while the National Bank of Belarus would cease to function as a central bank.

VIKTOR VICTORIOUS

CONTRARY TO COMMON perception, Russia has in fact resolved many basic institutional problems. More than anyone else, Prime Minister Chernomyrdin has exploited the new situation to his own political advantage. Yet many have failed to note his growing power. When Chernomyrdin visited Washington in June as the head of a high-level delegation, his visit was barely reported in the American media, but this little-noticed man has been Russia's prime minister since December 1992.

To a large extent, it is by his own design that Chernomyrdin has persistently been overlooked and underestimated both at home and abroad. He uses his low profile to reinforce his power. Although Yegor Gaidar belonged to the government for only three months last year, in the election campaign he was blamed for everything that had gone

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wrong in Russia because Chernomyrdin kept out of the public's view.

Chernomyrdin has good relations with most important institutions. As the last Soviet minister of the gas industry, his basic constituencies are the gas and related oil and chemical industries. Those rich industries can provide him with all the money he needs for future political campaigns. More important, they are winners in the transition to a market economy.

Rather than joining any political party, Chernomyrdin maintains good relations with most of them and is perceived as a centrist. His government contains five deputies from the liberal-conservative party Russia's Choice, including Minister for Foreign Affairs Andrei Kozyrev and Minister of Privatization Anatoly Chubais. However, Chernomyrdin also keeps Agrarian Party member Alexander Zaveryukha as deputy prime minister for agriculture. Chernomyrdin's balancing act between reformers and conservatives reinforces his own power. Wherever the political center is, Chernomyrdin occupies it, but he consistently tries to form broad coalitions.

The heart of Chernomyrdin's power is his personal staff of about two thousand officials, who increasingly check the power of the ministries. Admittedly, President Yeltsin has a staff twice that size. The difference is that the presidential administration is rife with tension between conservatives and reformers, rendering it ineffective, while Chernomyrdin prefers gray but loyal and effective executives from the gas industry and has forged personal links with many regional governors. One weakness is the difficulty that the socially awkward and taciturn Chernomyrdin has accepting policy advice from strong ministers. The more ministers he selects himself, the weaker and grayer his government looks.

In his public statements Chernomyrdin follows the popular line of the day, minimizing controversy. He is interested not in expressing views but in building and exercising power. After the December elections, Chernomyrdin joined in criticizing the reformers with statements such as "the period of market romanticism is over" and that the fight against inflation would shift to "non-monetarist measures." By appearing to give up any attempt at serious monetary stabilization, he compelled the forceful reformers and Deputy Prime Ministers Gaidar and Boris Fyodorov

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to resign from his government, but he divided the reformers by accommodating the effective reformer Chubais in his cabinet.

However, the antireform mood after the elections was soon reversed. The ruble fell like a stone on the free exchange market in January, and inflation rose, while the West reacted with disappointment and concern. A week after Gaidar and Fyodorov departed, Chernomyrdin declared himself a "market romanticist," and the most irresponsible economic decisions that prompted Gaidar's resignation were reversed. Quietly and mostly in private, Chernomyrdin refused requests for new expenditures, although President Yeltsin was keen on offering handouts. The financial and monetary stabilization initiated by Fyodorov in the fall of 1993 continued. Chernomyrdin rid himself of the most conspicuous liberals for political reasons, but he maintained both their policies and their aides.

TIGHT MONEY

CHERNOMYRDIN FROZE the October 1993 stabilization policy in its original form, but that policy had been designed only as a first step toward financial stabilization, and changing circumstances made it ever more inadequate. Russia's budget deficit has been held constant at about nine percent of GDP, too high but not out of control. Increasingly, inflation has been fought with strict monetary policy. Fyodorov prompted the Central Bank of Russia to raise its refinance rate to 17.5 percent per month in October 1993, when monthly inflation was 20 percent. The tight monetary policy brought down inflation, and in November 1993 Russia achieved a positive interest rate, which reduced inflation further. The nominal refinance rate has stayed high, although the monthly inflation rate has remained around eight or nine percent since February 1994, leaving Russia with a real interest rate of about 100 percent a year—the highest in the world.

When state enterprises could no longer obtain cheap credit, they demanded straightforward subsidies or state orders from the government. In that way strict monetary policy reinforced the pressure on the budget. In January Chernomyrdin seemed to promise considerable subsidies to agriculture, but he held tight to the government's purse.

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Still, after much lobbying, agriculture did receive subsidies amounting to about four percent of GDP. This measure was unfortunate but commensurate with the agrarian representation in the Duma.

Notwithstanding his cautious language, Chernomyrdin has increasingly become the mainstay of stabilization. This year he took on the formidable Russian military-industrial complex. Throughout the spring it demanded up to 87 trillion rubles, including arms procurement, while the draft budget offered them 37.1 trillion rubles, that is, 5.1 percent of the expected 1994 GDP.

The depression of the Russian economy is wildly exaggerated.

Most top military officials have publicly lobbied for a larger defense budget. The Federation Council, which is not disciplined by political parties, gave in to the military-industrial lobby and demanded a 55 trillion ruble military budget. Aides stated that the president supported that demand. As usual, Chernomyrdin avoided public controversy, but he refused to give anything more to the military, and after three readings, the State Duma finally adopted the 1994 budget in late June. It overruled the Federation Council and raised the defense budget to only 40 trillion rubles. The Russian military-industrial complex has proven to be a far weaker lobby than the agrarians, as is the case in other democracies.

At present, Chernomyrdin is at a crossroads with regard to stabilization. Despite his caution, he is identified with the attempts at stabilization and their costs. To blame Gaidar and Fyodorov is no longer convincing. Chernomyrdin has gone so far that his rational political choice would be to go all the way and defeat inflation. The budget votes in the Duma show that Russia now has the political base for a proper struggle against inflation. Ironically, the budget was saved by the agrarians, the communists, Zhirinovsky's deputies, and the center, while many liberals voted against it because they wanted something more austere. Moreover, opinion polls show that Russians hate inflation.

While Chernomyrdin appears perfectly loyal to Yeltsin and denies any higher ambition, his presidential aspirations are hardly in doubt. Because Chernomyrdin has staked much of his reputation on financial stabilization, he must succeed to secure his political future. But

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the present stabilization policy is relatively ineffective, socially costly, and possibly unsustainable. He needs to advance from the groundwork laid by Fyodorov last year.

Russia has accomplished a great deal and should take the final steps toward a stable currency by adopting a full-fledged stabilization program. The remaining tasks are comparatively simple. First, the budget deficit should be cut to five or six percent of GDP, preferably by reducing subsidies to agriculture and the coal industry. Second, the budget deficit needs to be financed. Half the deficit can be financed through domestic borrowing because a large market for treasury bills has evolved in the past year; the other half can be financed with international credits on the order of $8 billion. Third, the exchange rate should be pegged or fixed, providing a nominal anchor for Russian stabilization. In April 1992 the Group of Seven leading industrialized nations promised Russia a stabilization fund of $6 billion for such an effort. Fourth, the stabilization package needs to be in the form of a standby agreement with the International Monetary Fund, including an agreement on financing the budget. All this is within reach.

WHY ARE RUSSIANS STILL UNHAPPY?

THIS YEAR the Russian economy has undergone a veritable metamorphosis with surprisingly little acrimony. Because of the monetary squeeze, official industrial output for the first six months of 1994 is 26 percent below that of the same period last year. The corresponding decline during the first half of 1992, when Gaidar launched the transition to a market economy, was only 13 percent, but public protests were much louder then. Russians now realize that the transition to a market economy is both necessary and costly.

The proverbial shortages and long lines are gone. In Russian cities, one finds consumer goods of all kinds produced both in Russia and abroad. Previously unavailable consumer goods, such as stainless cutlery, are now in ample supply. Russian armaments factories were once too arrogant to produce consumer goods. They now scramble to produce whatever they can sell for a profit. Today only three million Russians actually produce arms. The conversion

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of the military industry has, to a large extent, already succeeded.

Much of the decline in production is not real. Under communism, overreporting was notorious, as enterprises wanted to attain plan targets. Under capitalism, tax evasion, leading to underreporting of both profits and production, is even more endemic. Universally, electricity consumption is closely correlated to real GDP. In 1992 the official Russian GDP fell by 19 percent, but electricity consumption dropped only 6 percent. Last year the corresponding decreases were 12 and 5 percent. The latter figures probably reflect the development of the economy more accurately, indicating that the depression of the Russian economy is wildly exaggerated.

This becomes all the more evident when we look at consumption figures. Private consumption has started rising as a share of GDP from a paltry 40 percent; two-thirds is normal in the West. Real income rose by no less than nine percent last year. Registered retail sales expanded by two percent, but they are probably underestimated; much trade is statistically elusive informal street trade. The increases in sales of individual products, particularly consumer durables, were more impressive. For instance, sales of television sets surged 34 percent. The share of family budgets spent on food was 46 percent, refuting ideas of approaching famine. A construction boom for family houses is evident throughout Russia, and the total number of cars owned by Russians rose by nine percent in 1993.

But if consumption is growing, why are Russians not happier? Opinion polls indicate a calm but pessimistic population. In one recent poll, 89 percent of the respondents considered the general situation alarming, a crisis, or a catastrophe, but three-quarters assessed their personal situation as good or satisfactory. The main answers are that many people do not realize they are not worse off and that they care about things other than their material well-being. A massive redistribution of income is taking place. Income differentials have widened, but they are still smaller than in the United States. Many old skills, ranging from teaching the political economy of socialism to mining coal, are losing value, while economics, law, entrepreneurship, banking, and handicrafts have become more valuable. Moreover, people find it difficult to make comparisons when inflation is high and the whole price structure is in flux. Russians earn growing amounts

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on the side, while their base salaries become less important, but they tend to disregard earnings from incidental trade. Finally, it is difficult to change, and work has become more demanding in the new Russia. If you ask Russians if they work more or less than under socialism, they look at you as if you were mad and say, "More, of course."

The widespread exaggeration of economic hardship is politically important. Although central state institutions have started functioning in a more balanced manner, ordinary Russians still feel excluded and alienated: nobody asks them for their opinion; nobody tells them anything. Herein lies the real threat of Zhirinovsky. Unlike other Russian politicians, Zhirinovsky talks to and reaches ordinary Russians, especially men. In December 1993 he won over much of the male working-class vote from Yeltsin. A major political challenge is to include Russian workers in civil society through the dissemination of information, organizations, and augmented participation.

Russians' real income rose by no less than nine percent last year.

Part of the problem is that workers do not really count in the workplace, contrary to popular perceptions. Managers are supreme to an extent unknown in the West. From 1989 until mid-1993, hardly any state enterprise managers were fired in Russia, allowing them to be criminally negligent of their workers. In August 1993, when monetary policy was loose and enterprises awash in money, only 56 percent of workers polled had received their latest monthly wage in full and on time. A common complaint is that managers give themselves extraordinary salaries and fringe benefits. Much of Russia's capital flight appears to have gone from state enterprises to their managers.

Nevertheless, apart from coal miners, Russian workers rarely strike, even when they have not been paid for months. Nor are workers likely to strike, because they lack both organization and leaders. Real wages seem perfectly flexible. It is easy to find enterprises in which real wages have fallen by 70 percent in one year. Admittedly, managers are loath to lay off workers. But why not keep them on the payroll when they do not even demand pay? They are also useful as pawns in negotiations with the authorities over subsidies. Thus, unemployment stays low, with the most plausible estimate at around six percent.

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TAMING THE APPARATCHIK

ALTHOUGH THE EXCESSIVE power of enterprise managers continues to cause problems, their powers have been reduced through three measures. First, the formation of a democratically elected parliament, consisting of political parties, has diminished their political influence. Second, as in an ordinary market economy, the monetary squeeze has transformed managers into competitors. Curiously, their protests against tight credit faded as credit grew tighter. Initially all state managers stood united against the state, demanding cheap credit and other subsidies. When the government took a firmer stand, some managers were convinced that the government would give them nothing. They adopted a market- and profit-oriented strategy, breaking the ranks of the state managers, who were divided into winners and losers.

A third measure undermining the omnipotence of state managers is mass privatization, which has shifted power relations both in society and in businesses. The achievements of Deputy Prime Minister Chubais in privatization are astounding: 70 percent of Russian industrial enterprises have been privatized through a scheme of free distribution of vouchers to all Russians. These vouchers could be used to bid for shares at voucher auctions. Two-thirds of shares ended up in the hands of employees of those enterprises; altogether 40 million Russians have become shareholders. As a consequence, managers' jobs are no longer safe. About one-tenth of them are replaced at the initial shareholder meetings. In such cases, small groups of insiders band together with outside owners against incumbent directors.

Continued privatization and restructuring will further discipline managers. Sporadic bankruptcies have started and are bound to increase. So far, the weakest link in privatization has been land reform. Some farmers have begun to break up collective farms from below. A political compromise has been accomplished through the Nizhny Novgorod model, which has been tested successfully. Fifty million private plots and 270,000 private farms accounted for 36 percent of official agricultural production last year. Another weak link is the privatization of commercial real estate, which has a confusing legal basis that is now being clarified.

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As a result of these institutional changes, rudimentary checks on the power of managers have been introduced and are likely to grow stronger. They make it increasingly tempting for managers to focus on profits rather than on state subsidies.

CRIME VERSUS CAPITALISM

CRIME HAS SUCCEEDED inflation as the number one public concern. The main argument against Russia becoming a success story is that organized crime is about to take over. The situation is certainly bad, but the murder rate in Moscow remains lower than in most big American cities. Great criminal fortunes were made on exports of price-regulated commodities and subsidized credit, but these bonanzas have been wiped out by deregulation. Licensing enterprises remains a means of extracting protection money, but such abuses are gradually easing. The privatization model chosen everywhere except Moscow has impeded organized crime from making inroads. Crime syndicates have benefited from the excessively slow transition to capitalism, but now capitalism has basically taken hold, making it possible to defeat the mafia.

Russians are demanding that their politicians do something about crime. As democracy takes root, no politician is likely to win an election without a plausible program for fighting crime. The media provides plentiful insights about organized crime, which can no longer take advantage of public ignorance. Russian businessmen defend their property and lobby the government for protection. The police now receive modern equipment as well as high salaries.

Major problems in the struggle against crime remain. The most serious are the paltry legal skills and poor ethics of the law enforcement system. It will take many years to upgrade them, but the process has started. Many police are not corrupt and willingly give their lives to uphold the law. The stage is set now for a long and intense struggle between law and crime, but there is little reason to believe that society will lose. The June presidential decree on measures against organized crime is characteristic of the time. On the one hand, it indicates great political anxiety. On the other, its eight alleged violations of the constitution reveal the inadequacy of Russian legal skills.

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ORDINARY POLITICS

AFTER HALF A YEAR of political hibernation, President Yeltsin woke up in the spring and returned to economic policy after a long absence. He seemed jealous of Chernomyrdin's expanded powers. His aides said Yeltsin thought there was too little reform. Chernomyrdin obliged, and the result was a dozen new presidential reform decrees in May and June. At the same time, the president and his aides pushed for more state expenditures, notably for the military, showing less understanding of the need for monetary stabilization. Despite Yeltsin's inconsistencies, Chernomyrdin prevailed.

This is a good illustration of the current state of Russian economic politics. Reform is alive and well, but it evolves slowly and undramatically. Mistakes are made, but today real economic interests demand rectification. The government responds somewhat slowly and inaccurately, but not all that badly. Russia has become a pluralist country with checks and balances. Politically, it is reminiscent of India, with its many centers of power, which make it possible for the country to withstand many small disasters without having to face a real catastrophe. For the same reason, however, consistent policies are also implausible.

The time of fast and radical change is over in Russia. Fortunately, much of the transformation has been accomplished. Basic political institutions, such as an elected president, an elected parliament structured by political parties, and a more Western constitution already exist.

Russia has now entered the stage of ordinary politics, when interests are more important than ideas. Compared with what has been achieved already, the remaining tasks are relatively limited. Inflation, currently at about 100 percent a year, should be halved. Further liberalization is needed to eliminate the causes of corruption. For a long time, it will be necessary to put the utmost efforts into fighting crime and developing a normal legal system. The tax system is atrociously arbitrary, crying out for fundamental reform. A market economy has been successfully created, but people do not understand that. A major political challenge is to explain the transformation to a market economy to the population, and especially to include the workers in society.

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For such assignments, visionaries are unnecessary. They have completed their fundamental tasks and can be replaced by pragmatic consensus politicians with low public profiles like Chernomyrdin. His appearance is a natural political development and an indication of the relative success of Russia's political and economic reforms. Moreover, Chernomyrdin is one of Russia's most authoritative politicians. What is worrisome for building democracy is that he bases his power on the state administration and industry rather than on a political party.

Russia has at last become a relatively predictable country. The fundamental political and economic institutions have been created. The time has arrived to end discussions about the pending collapse of Russia. What needs to be discussed now is not what Russia will become, but what it has become.

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The Baltic Litmus Test

Carl Bildt

REVEALING RUSSIA'S TRUE COLORS

MOST OF THE attention given to European security issues today is focused on the Balkans. But the stability concerns that the West must address in the Baltic Sea area are no less important. For half a century, the Soviet empire stretched its geopolitical power deep into Central Europe and the Balkans, posing a potential threat to the West at many points. Russia now borders Western Europe only in the Nordic and Baltic regions. More than any other part of the former Soviet empire, Russia's policies toward the Baltic countries will be the litmus test of its new direction. Central to these concerns is the future relationship between Russia and the three once-again independent countries of Estonia, Latvia, and Lithuania.

The way these problems are handled will test the emerging frameworks of Western security cooperation and provide crucial test cases for three important and interrelated international issues. Foremost, Russian conduct toward these states will show the true nature of Russia's commitment to international norms and principles. If Moscow fully accepts the independence of the Baltic states and fully respects their rights, one can be sure that Russia has entered the family of nations. But if Moscow questions their sovereignty or undermines their independence, that would signal that Russia might once again become a threat to the international system.

Second, the European Union's attitude toward the Baltic states will be a gauge of its ability to pursue the integration process

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CARL BILDT is Prime Minister of Sweden.

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while also establishing a working relationship with Russia.

Third, the security concerns of Estonia, Latvia, and Lithuania will test the readiness and ability of the United States to influence Russian policy and contribute to the new security order in Central and Eastern Europe. The stakes are high, for the credibility of the West has been severely tested in the Balkans. It could face even more daunting challenges in the Baltic region if we do not secure stability in the relationship between Russia and the three Baltic states.

HARBINGERS OF CHANGE

FOLLOWING THE collapse of tsarist Russia in 1917, the Soviet state had to accept the emergence of independent nations in the Baltic region. Finland, Estonia, and Latvia won independence for the first time, while Lithuania and Poland reestablished theirs. But as Soviet power grew, so did the Soviet Union's eagerness to increase its security and reintegrate former tsarist possessions.

In the spring and summer of 1939, Stalin was ready to join any camp that would let him occupy the Baltic countries, including Finland, and eastern Poland. The Western powers refused, but Hitler agreed; the Molotov-Ribbentrop Pact of August 23, 1939, sealed the fate of the Baltic countries. Hitler was given a free hand to deal with Poland as he wished, and the hounds of war were let loose over Europe.

That would not be the last time that events in the Baltic nations foreshadowed great upheaval in Europe and the Soviet Union. The peaceful "singing revolution" in the summer of 1988—well before the Berlin Wall came down—clearly signaled that the Soviet Union was eroding from within. The popular fronts set up in each Baltic country in the same year were the first political organizations in the U.S.S.R. to challenge the power monopoly of the communist party. In the winter of 1990 Soviet leader Mikhail Gorbachev had to accept the breakaway of the Lithuanian Communist Party, and in the spring all three countries reclaimed their independence and reestablished their pre-1940 constitutions. Given this history, it seemed only logical that it was in the Baltics that Russian reactionary forces tried to turn back the clock, implicitly marking the end of the Gorbachev era.

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The exact circumstances surrounding the Soviet-led massacres in Vilnius and Riga have yet to be revealed, but it is worth noting that many of the faces seen there in January 1991 resurfaced around former parliamentary speaker Ruslan Khasbulatov and former vice president Aleksandr Rutskoi in the Russian White House in October 1993. Michael Beschloss's and Strobe Talbott's account of those years makes it clear how close those events came to destroying the evolving relationship between Moscow and Washington.[1]

The lesson is clear: developments in the Baltics need to be closely watched. They illustrate the larger issues at stake in the post-communist world and are bound to have repercussions well beyond the region.

THE UNIQUE HISTORY OF THE BALTIC COUNTRIES

POLITICAL ANALYSTS and historians tend to lump the three Baltic countries together with all other former Soviet republics—independent or semi-independent—under the heading of the former Soviet Union. But this is a grave injustice to history as well as international law. These countries differ from the rest of the former Soviet Union in that before 1940 they were fully independent, as independent as every other European country of that time. The Baltic nations were no less members of the League of Nations than was Poland or Portugal. Estonia and Latvia as new states were not different from other states created in the first decades of the century.

But they were unique in not having had the possibility of reestablishing their independence immediately after World War II, as did other countries occupied during those terrible years. Well into the 1950s, tens of thousands of Balts lost their lives in partisan wars, little known even now, against Soviet occupiers. The West had no effective means of helping them, other than occasionally making the legal point that they had never accepted the occupation—a gesture of greater moral import and political consequence, perhaps, than was realized at the time.

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[1] Michael R. Beschloss and Strobe Talbott, *At the Highest Levels: The Inside Story of the End of the Cold War*, 1st ed., Boston: Little, Brown, 1993.

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The Baltic countries were unique not only in the way they lost their independence, but also in the way they relentlessly pursued its reestablishment. In close contact with Russian democrats (including Boris Yeltsin) during the perestroika years, they fought a legal, moral, and political battle that was as effective as it was nonviolent. Their independence was finally recognized by the Soviet Union in September 1991. While the countries of Transcaucasia, Central Asia, and even Ukraine and Belarus got their independence as a consequence of the dissolution of the Soviet Union, the Baltic nations succeeded in breaking away before the U.S.S.R. finally collapsed.

POSTCOMMUNIST PROSPECTS

THESE THREE small countries had better prospects for managing their economic transitions than other former Soviet republics. The results have been impressive, and today it is more relevant to compare their performance with the reform countries in Central Europe than with Russia or Ukraine. The magnitude of the difficulties they have faced, however, should not be underestimated. The economic, social, and moral devastation caused by decades of occupation and communist rule defies description. A near-total absence of political and social experience outside the communist sphere and a near-total economic dependence on the markets of the Soviet Union left a difficult agenda for the inexperienced nationalists who gradually assumed power in the early 1990s.

Clearly they have performed differently—with Nordic-oriented Estonia taking the lead in reform policies, centrally located Latvia now gradually catching up, and fiercely independent Lithuania having decided to go somewhat more slowly on reforms. However, they have all managed to create credible independent currencies and achieve a degree of macroeconomic stability that Russian reformers have yet to even dream of. They have started to attract foreign investment, and in a surprisingly short period they have gone from virtual dependence on former Soviet markets to integration with the global economy. In this respect they belong in a category of their own.

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TROOPS AND RUSSIANS

TWO MAJOR problems have plagued relations between Russia and the Baltic states since their independence: the withdrawal of Russian forces and the status of Russian immigrants. Under Soviet occupation, the Baltic Military District was important to overall Soviet strategy for a number of reasons. Originally its paramount role was to serve as a naval base area. To the considerable number of naval facilities in all three Baltic republics were added the installations in the Kaliningrad enclave, which had been taken over from Germany at the end of the war. Later the district became perhaps even more important for the deployment of airborne forces and second-echelon ground forces, whose wartime task would be a rapid advance across northern Germany and into Denmark. But its greatest value was to permit the extension into the Baltic Sea area of a crucial part of the dense air defense network intended to protect the Soviet heartland from attacks from the West.

Once the Russian military began to dismantle this air defense network in the Baltic states, it was obvious that it did not plan to remain there. In November 1991, the Baltic Military District was renamed the "Northwestern Group of Forces," implying that these were forces temporarily stationed abroad. And in July 1992 Russia committed itself at the Helsinki meeting of the Conference on Security and Cooperation in Europe (CSCE) to an "early, orderly, and complete" withdrawal from the Baltic states. But the road has been a bumpy one, with Russian policy under pressure from the West and the demands of international law as well as from vocal Russian nationalists who often use Baltic-bashing to achieve other aims. This discord only heightened the insecurity long present in the Baltic countries.

Since the summer of 1992, Russian troops have been vacating their bases and barracks in the Baltic states. Although there were more troops in Lithuania than in other states, the last Russian soldier left that country in August 1993. And in August of this year, Russian forces also completed their withdrawal from Latvia and Estonia, in accordance with agreements finally signed this year on April 30 and July 26.

All remaining Russian air force units left the Baltic states early this

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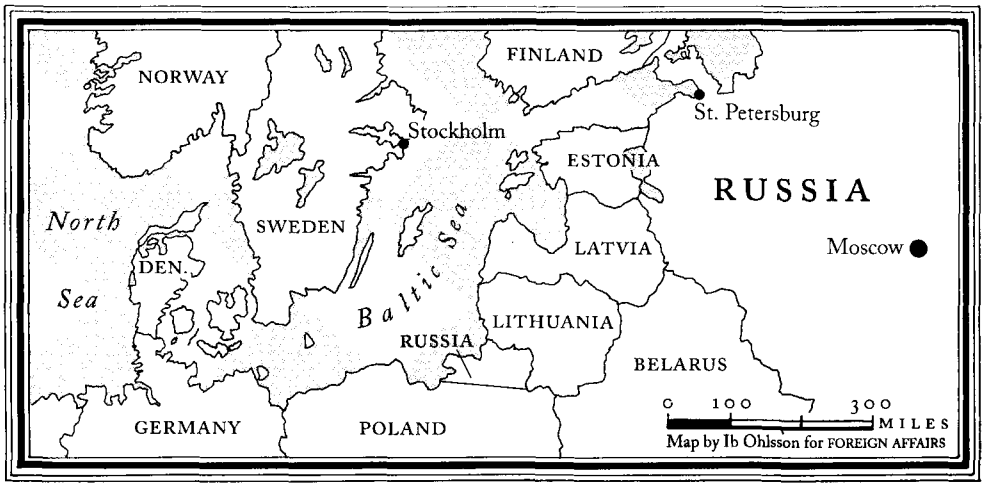

year, and during the summer the last naval units were relocated to the Kaliningrad area or to the inner part of the Gulf of Finland. Ground troops had been at skeleton strength since last year and hardly had any real combat potential.

Although Russia for a long time tried to secure continued access to a number of "strategic installations," like Liepaja harbor and the large Ventspils intelligence-gathering facility in Latvia, it finally accepted the fact that it must withdraw by August 31, 1994. A notable exception is the large ballistic missile early-warning facility in Latvia. Russia will be able to continue to operate the two older Hen House radars built during the 1960s for an additional four years, while the partially complete phased-array installation has been handed over to Latvia for immediate destruction.

In Estonia, the Paldiski nuclear submarine training center will be demolished by September 30, 1995. The decommissioning will take place under Estonian sovereignty and administrative control.

The prolonged presence of Russian troops on their soil has clearly made it more difficult for Estonia and Latvia to shape their new relations with Russia. And Russian statements and actions certainly have not helped. On a number of occasions senior Russian politicians, including President Boris Yeltsin, have indicated that they would use the continued presence of troops to extract political concessions on rights for Russian speakers or military pensioners. And the risk of provocation was always there. During one particularly dangerous

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incident near Riga in January of this year, a Russian airborne division was put on alert, and senior Russian officials made thinly veiled threats of armed intervention.

Clearly, such statements were utterly incompatible with respect for the national independence of the Baltic countries and for fundamental principles of international law. One of those principles is of course that foreign troops must never be present on the territory of an independent country without the explicit consent of the country in question. For three long years, Baltic leaders tacitly abided this unacceptable state of affairs, thus showing a degree of tolerance not always fully appreciated in Moscow. Now, with the troops finally gone after Yeltsin decided to brave his chauvinistic opponents, and after his Latvian and Estonian colleagues, Presidents Guntis Ulmanis and Lennart Meri, courageously met him halfway, there should be prospects for a new and more constructive phase in relations between Russia and the Baltic countries.

MINORITY RIGHTS

WITH THE TROOP issue resolved, even more attention will be focused on the complex problem of the rights of Russian-speaking inhabitants of these countries. Here again one finds important differences among them. The number of Russian postwar immigrants in Lithuania is so small that the state was able to grant them automatic citizenship. Estonia and Latvia, on the other hand, have been subjected to demographic occupation for a long time.

There were always Russians living in the cosmopolitan trading cities of the Baltic region. During the final decades of tsarist rule, Riga was Russia's third leading industrial center, and one of the more important sideshows of the 1905 revolution was played out there. But before World War II, Russian minorities constituted no more than ten percent of the population of Estonia and Latvia. Soviet policies of heavy industrialization and deliberate demographic change gradually brought wave upon wave of Russian immigrants. The city of Narva in northeastern Estonia, once 95 percent Estonian, is now more than 95 percent Russian. The war played its part in driving the original

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inhabitants away, but they were barred from returning to their homes afterwards. Meanwhile, immigrants from far away in Russia were brought in to replace them. If ever there was an example of "ethnic cleansing" in the Baltics, this is it. By the mid-1980s, Estonians and Latvians could no longer be sure that they would remain a secure majority, or even a majority at all, in their countries. After the reestablishment of independence, this trauma was bound to constitute the most powerful political challenge confronting their governments.

By restoring their pre-1940 constitutions and citizenship laws, Estonia and Latvia have automatically given citizenship to all descendants of citizens of the interwar period, no matter what their nationality. But when it comes to immigrants of the Soviet decades, Tallinn and Riga have set criteria for citizenship, including a certain number of years of residence, a declaration of loyalty to the new state, and a rudimentary knowledge of the local language. None of these criteria is unusual in international practice, nor is the combination of them. Moreover, setting standards for citizenship through language requirements is a way to break the isolation of ethnic Russians and improve the prospect for at least partial integration in Estonian and Latvian society for those who want to become citizens.

Baltic citizenship laws toward Russian immigrants are not unusual.

Russian immigrants, not surprisingly, have a different perspective. They never felt that they were moving abroad when they settled in Estonia or Latvia. They do not consider themselves immigrants at all, and in some respects they are right. Most of them have no personal responsibility for past Soviet actions that made their settlement in Estonia or Latvia possible. In many ways they too are casualties of the Soviet system, now that they have lost the equal status with Estonians and Latvians that they used to enjoy by virtue of common Soviet citizenship. They are disappointed and feel insecure.

All this is part of the tragic legacy that empires leave behind when they finally crumble. It will take time for the Russian and Baltic perspectives on these emotional issues to converge. However, given the brutal history of occupation and deportation, the smoothness of relations between native Estonians or Latvians and Russian

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immigrants is surprising. The bitterness of Estonians and Latvians about the past has little to do with their relationship with their Russian neighbors or coworkers. Still, both sides will need much tact and common sense to handle concrete problems while the process of psychological adaptation continues.

In both Estonia and Latvia, issues of citizenship and rights of noncitizens have been complicated and controversial. Nationalist forces, in particular, have aggressively tried to influence decision-making. But with the presidents and prime ministers of both countries favoring solutions based on principles accepted by the Council of Europe and the CSCE, it was possible for Estonia in July 1993 and Latvia in July of this year to get parliamentary approval for laws that will provide a framework for the gradual resolution of these issues.

THE NEAR ABROAD

THE ISSUE OF Russians in the "near abroad" has lately moved to center stage in Russia's internal debate about the future of its foreign policy. This is a problem that has already dragged Russia into situations approaching war in two former Soviet republics—Transnistria (the area east of the Dnestr River) in Moldova and Tajikistan in Central Asia. It is important that the West make a clear distinction between a legitimate Russian concern for fellow countrymen abroad and designs that could lead to neo-imperialist and revanchist adventures of the worst sort. In an oft-quoted remark, Kazakhstan President Nursultan Nazarbayev has recalled how Hitler exploited concern for the fate of the *Volksdeutsche* in the Sudetenland of Czechoslovakia as a pretext for destabilizing and eventually conquering the country. And there are most certainly those in the wide spectrum of Russian politics who would be prepared to use the same tactics to achieve similar aims.

A disquieting sign is the increasing tendency among Russian nationalists to promote the idea of dual citizenship for Russians living in neighboring countries. This would obviously be politically ill-advised and not in accordance with the Council of Europe's 1963 convention on reduction of multiple nationality.

The Baltic countries, for their part, must recognize the obvious

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relationship between their internal harmony and their external, long-term national security. They are wise to be substantially more inclusive and generous to their Russian inhabitants than a strict interpretation of international law dictates. The aim must be to encourage the Russian speakers of the Baltic countries to feel loyal to the states where they are now living rather than to Russia, which they for one reason or another left during the Soviet period. But Russia must also accept that when human rights are involved there are neither any Russian "near abroads" nor any European or American "far abroads," but only a common concern expressed through common rules safeguarded by common institutions.

With Estonia and Lithuania already members of the Council of Europe, and with Latvia due to follow soon, the rights of everyone in those countries will be protected by the most comprehensive international safeguards available. Moreover, the CSCE high commissioner for minorities has followed developments in the Baltic states very closely. Special CSCE missions in Estonia and Latvia have been important not only in allowing the governments of Europe to follow events there, but also in advising the Estonian and Latvian governments on these difficult issues. The presence of CSCE officials makes it clear to the governments in Tallinn and Riga that these are issues that are taken seriously by the international community and reassures those in Russia who have a legitimate concern for the rights of their fellow countrymen abroad.

One of the most important functions of this elaborate monitoring network is to make it difficult for Russia to use trumped-up charges of human rights violations in these countries to exert pressure. Thus, when President Yeltsin at the G-7 meeting in Naples in early July of this year claimed that there were "gross violations of human rights" in Estonia, it was easy to dismiss this accusation as false by referring to evaluations by a number of international bodies. When I recently discussed the term "near abroad" with a leading Lithuanian representative, he remarked that to his ears it sounded as if the actual meaning of the word was "temporary abroad." Given the histories of Lithuania and Russia, this reaction is not surprising. Baltic politicians are keenly aware that they were helped in their struggle for independence

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by Russian democrats, and that Boris Yeltsin was among the most helpful. Yet they cannot escape the bitter lessons of the history of their nations and in many cases their own families. Two of the three current presidents of the Baltic countries are children of deportees and spent their childhood years in Siberia.

Occasional Russian assertions that the Baltic countries joined the Soviet Union voluntarily in 1940 and that there never was any occupation certainly do not promote reconciliation. For the Baltic countries it is crucial that Russia fully recognize what happened. This does not imply any personal responsibility on the part of the Russians of today. It simply means that today's Russia—like President Yeltsin, who in a courageous and historic address to the Hungarian Parliament in 1992 spoke the truth about the horrors of 1956—must be ready to face the historical truth in the Baltics.

A related issue is Latvian and Estonian claims on areas in Russia that belonged to the interwar Latvian and Estonian states. They were recognized as such by Moscow in the peace treaties of Tartu and Riga in 1920, but transferred by Stalin to the Russian Soviet Republic after the reoccupation in 1944. While these claims are understandable in legal and symbolic terms, they are very unwise in political and practical terms. It would not appear to be in the interest of Latvia or Estonia to bring solidly Russian-speaking areas into their states. A mutual effort should be made to put this irritant out of the way, thus paving the way for a complete Russian acceptance of the historical truth and full legal recognition of the existing borders by all parties concerned.

THE NORTHWEST PASSAGE TO PROSPERITY

FOLLOWING THE lead of Sweden and the other Nordic countries, the European Union recently concluded free trade agreements with the Baltic countries, paving the way for European agreements similar to those concluded with the Central European countries. More significantly, the EU has committed itself to having Estonia, Latvia, and Lithuania eventually become members. Although this process, initiated at the Copenhagen meeting of the European Council in June 1993, will take time, it is logical and natural that the process proceed

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as far as possible parallel to the Central European countries. In this respect, they belong to the same category.

The process of gradually bringing the Baltic countries into the institutions of European cooperation contributes to their stability as well as to the security of the entire northern European region. They are not only full members of the Partnership for Peace, but at the Kirschberg Council of Ministers of the West European Union in May of this year they were granted status as associate partners of the WEU. At the same time, this status was granted to six Central European states that were once behind the Iron Curtain.

Clinton's pledge, "We will stand with you," will be remembered for decades to come.

While closer cooperation between the Nordic and Baltic countries and their integration with the rest of Europe is vitally important, the role of the United States remains crucial in view of the relationship between Moscow and Washington. President Clinton's July meeting in Riga with the presidents of Estonia, Latvia, and Lithuania was an important step. Indeed, it was remarkable that the president of the United States preceded the president of Russia in visiting them after they regained their independence. And President Clinton's words at the Freedom Monument in Riga—"We will stand with you, we will help you, we will be partners so that your nation can be forever free"—will ring in Baltic ears for decades to come.

But the West must also aim to include the rich and populous regions of northwestern Russia in the evolving networks of cooperation and trade in the Baltic area. Traditionally, the northwestern parts of Russia have played a crucial role in that country's relations with the Western world as well as in its modernization. To see this, one need not go all the way back to the medieval age and the rich centuries of Hanseatic trade linking Russia and Western Europe across the Baltic Sea; it suffices to remember the role played by the region in the rapid transformation of Russia during the last decades of tsarist rule. It was as a symbol of Russia's opening to the West that Peter the Great in 1703, on what was then still Swedish territory, founded the city of St. Petersburg, which in 1712 he made into Russia's new capital. It remained so until the Bolsheviks returned to the traditions of old Muscovy.

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Today northwestern Russia again has the potential to take the lead in the country's transformation. With economic reform speeding along in the Baltic states, and with all of the Nordic countries joining the European Union, the region could be one of the most dynamic growth areas in Europe in the decades ahead—provided political stability is assured.

RUSSIAN PRIDE AND BALTIC PROMISE

THE TRANSFORMATION of Russia will continue to be uncertain and unpredictable. While for years to come the country will likely continue to experience "times of trouble," and the Red-Brown revanchists will do whatever they can to derail the process and resurrect the past, there is ground for cautious long-term optimism. With some exceptions, the ability of Western policy to affect the outcome is limited. The relationships between Russia and the Baltic states is one of those areas where Western policy may in fact make a substantial difference, particularly by ensuring that Russia accepts that it must fully conform to international norms of behavior.

Russia, perhaps, would not have agreed to withdraw its troops from the Baltic countries had it not been for strong and sustained international support for the principles of international law. The CSCE process played a crucial role, but so did the open as well as silent diplomacy of the Clinton administration. Indeed, what the Clinton administration has achieved in Baltic affairs constitutes one of its most important contributions to European security and stability. By continuing to make it clear that relations between Russia and the Baltic states are the true litmus test of Russia's new direction in international affairs, the West is also helping Russian democrats contain the Red-Brown revanchists in Russian domestic affairs. If they know that their designs in international affairs are doomed to failure, their chances will be diminished in domestic affairs as well.

As Russia changes from a cause to a country, the premises of Western policies should be reassessed. This debate is not a new one. In *The Shattered Peace,* Daniel Yergin in 1977 contrasted "the Riga axioms" to "the Yalta axioms" of previous U.S. policy toward the Soviet

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Union. The former represented the critical views developed by Robert Kelley, Loy Henderson, George Kennan, and others, based on observations in Riga during the 1920s and early 1930s. The Yalta axioms summed up more benevolent or even naive attitudes toward Soviet designs and policies. Today the Riga axioms are accepted as historical truth by most Russians I know, and probably by Daniel Yergin too. There was indeed enough evil in the Soviet empire to warrant the policies of the West during the coldest decades of the Cold War. But today the main point to recall is how much thought those associated with the Riga axioms had also given to the crucial long-term problem: the relationship between the West and the proud Russian nation that was bound to reappear once the communist system had collapsed.

In his remarkable 1951 article, "America and the Russian Future," in this journal, George Kennan proposed a set of prerequisites for a genuine accommodation between Russia and the West. One of his points merits particular attention:

> The Baltic countries should never again be forced against the innermost feelings of their peoples into any relationship whatsoever with a Russian state; but they would themselves be foolish to reject close and cooperative arrangements with a tolerant, nonimperialistic Russia, which genuinely wished to overcome the unhappy memories of the past and to place her relations to the Baltic peoples on a basis of real respect and disinterestedness.

There is no reason why George Kennan's vision of four decades ago cannot come true. The security of the Baltic nations needs to be assured by integration with the institutions of the West. The neoimperialist forces in Russian political life must be contained by the process of democratic reform and partnership in international cooperation. If we succeed, it augurs well not only for the stability of this part of Europe, but for Russian policy toward the rest of the world as well. If we do not, we are headed for great trouble. The Baltic region provides the critical test of the relationship between Russia and the West. We must not fail.

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Arming Genocide in Rwanda

Stephen D. Goose and Frank Smyth

THE HIGH COST OF SMALL ARMS TRANSFERS

RWANDA IS ONLY the latest example of what can happen when small arms and light weapons are sold to a country plagued by ethnic, religious, or nationalist strife. In today's wars such weapons are responsible for most of the killings of civilians and combatants. They are used more often than major weapons systems in human rights abuses and other violations of international law. Light conventional arms sustain and expand conflict in a world increasingly characterized by nationalist tensions and border wars. Yet the international community continues to ignore trade in those weapons, concentrating instead on the dangers of nuclear arms proliferation.

In the post-Cold War era, in which the profit motive has replaced East-West concerns as the main stimulus behind weapons sales, ex-Warsaw Pact and NATO nations are dumping their arsenals on the open market. Prices for some weapons, such as Soviet-designed Kalashnikov AKM automatic rifles (commonly known as AK-47s), have fallen below cost. Many Third World countries, such as China, Egypt, and South Africa, have also stepped up sales of light weapons and small arms. More than a dozen nations that were importers of

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STEPHEN D. GOOSE is the Washington Director of the Human Rights Watch Arms Project. FRANK SMYTH, a free-lance journalist and investigative consultant, is the author of the Arms Project report "Arming Rwanda."

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PHOTOGRAPH BY STEVE LEHMAN, SABA

Another satisfied customer

small arms 15 years ago now manufacture and export them. But most of this trade remains unknown. Unlike major conventional weapons systems, governments rarely disclose the details of transfers of light weapons and small arms.

The resulting costs of such transfers are apparent. Small arms and light weapons have flooded nations like Rwanda, Sudan, Somalia, and Bosnia-Herzegovina, not only fanning warfare, but also undermining international efforts to embargo arms and to compel parties to respect human rights. They have helped undermine peacekeeping efforts and allowed heavily armed militias to challenge U.N. and U.S. troops. They raise the cost of relief assistance paid by countries like the United States. Yet the international community has no viable mechanism to monitor the transfer of light and small weapons, and neither the United Nations nor the Clinton administration has demonstrated the leadership required to control that trade.

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RWANDA'S WAR

NO TRAGEDY BETTER illustrates the need for controls than Rwanda, where the U.S. contribution to the present relief effort is expected to reach $500 million, or about two dollars for every U.S. citizen. Rwanda's genocide, which began in April 1994, was preceded by a war launched in October 1990 by Tutsi guerrillas of the Rwandan Patriotic Front (RPF) against the Hutu-led government. Rwanda was already one of the poorest nations in Africa. Although both the government and guerrillas had limited resources with which to buy arms, and their combined 45,000 combatants never comprised a very large market, arms suppliers rushed to both sides like vultures to a carcass.

The war's origins go back, in part, to a wave of violence from 1959 to 1966, when the Hutu overthrew the Tutsi monarchy, which had ruled for centuries. Between 20,000 and 100,000 Tutsi were killed in a slaughter that the British philosopher Bertrand Russell then described as "the most horrible and systematic massacre we have had occasion to witness since the extermination of the Jews by the Nazis." The violence drove about 150,000 Tutsi exiles, known as Banyarwanda, to Uganda, Burundi, Tanzania, and Zaire.

In Uganda, Banyarwanda and their descendants suffered under the tyranny of dictators, including Milton Obote and Idi Amin. In the early 1980s at least 2,000 of them joined a guerrilla movement led by a former defense minister, Yoweri Museveni. In 1986 Museveni and his men took power. In 1990, when the RPF invaded Rwanda across its northern border with Uganda, more than half its initial guerrillas and most its officers were drawn from Uganda's army. Uganda also provided an array of small arms and other weapons systems, including recoilless cannons and Soviet-made Katyusha multiple-rocket launchers.

To counter the invasion, the Hutu government drew from its existing stock of Belgian automatic rifles and French armored vehicles. But Rwanda was understocked and under siege. Until then, Belgium, Rwanda's former colonial ruler, had been its main military patron. But Belgium had an explicit policy against providing lethal arms to a country at war. Following the invasion, Belgium continued to provide military training, boots, and uniforms to the Rwan-

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dan army, but no arms. France, however, rushed in 60-mm, 81-mm, and 120-mm mortars and 105-mm light artillery guns. France, which was committed to keeping Rwanda within the bloc of 21 Francophone African nations, also provided seasoned advisers and four companies of 680 combat troops at a time.

An arms race was under way. More than a dozen nations helped fuel the Rwandan war, and both sides appear to have purchased considerable weaponry through private sources on the open market. By its own admission, the Rwanda government bankrupted its economy to pay for those weapons. Former Warsaw Pact countries appear to have supplied both sides, seeing opportunity in Rwanda less than one year after the Berlin Wall fell. It remains unclear how long it took ex-Warsaw Pact equipment to reach Rwanda, but eventually most RPF guerrillas carried Kalashnikov AKM automatic rifles, many manufactured in Romania. Among the rebels who had uniforms, most wore distinctive East German rain-pattern camouflage.

More than a dozen nations helped fuel the Rwandan war.

Russians, Romanians, Bulgarians, Czechs, Slovaks, and others are aggressively promoting arms sales. The collapse of Moscow's central control has given governments and the officials left in charge of existing stockpiles a free hand. With the Russian ruble devalued and East European nations in need of hard currency, their governments are likely to try to sell even more small arms in the future. The CIA reports that Russian crime syndicates are also involved in nongovernmental weapons sales.

By 1993, Rwanda's Hutu government had begun to look to Russia to buy arms, especially Kalashnikov AKMs. But the key suppliers for government forces were France, Egypt, and South Africa. A $6 million contract between Egypt and Rwanda in March 1992, with Rwanda's payment guaranteed by a French bank, included 60-mm and 82-mm mortars, 16,000 mortar shells, 122-mm D-30 howitzers, 3,000 artillery shells, rocket-propelled grenades, plastic explosives, antipersonnel land mines, and more than three million rounds of small arms ammunition.

South Africa also supplied small arms, including R-4 automatic rifles, 7.62-mm machine guns, and 12.7-mm Browning machine guns. In October 1992, on the heels of the Egyptian deal, Rwanda made a $5.9

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million purchase from South Africa: 100 60-mm mortars, 70 40-mm grenade launchers with 10,000 grenades, 20,000 rifle grenades, 10,000 hand grenades, spare parts and 1.5 million rounds of ammunition for R-4 rifles, and one million rounds of machine gun ammunition.

South Africa developed its arms industry in response to the U.N. embargo against it. Its conventional weaponry is considered to be among the most durable and reliable in the world—a fact Rwanda quickly learned. By late 1993, within a year of its $5.9 million purchase, Rwanda had decided to standardize its infantry forces with South African arms. These purchases from South Africa were in contravention of U.N. Security Council Resolution 558 opposing importation of weapons from South Africa. The import prohibition was voluntary, unlike the U.N. ban on arms exports to South Africa, which was lifted in May.

WHO IS RESPONSIBLE?

THE PROLIFERATION of weapons in Rwanda expanded the conflict, displacing, last year, one out of eight Rwandans—one million refugees who went unnoticed internationally. The arms flows also facilitated violations of international law (both the army and RPF engaged in direct attacks on civilians and indiscriminate attacks in civilian areas) and increased human rights abuses. Regrettably, that turned out to be a tragedy of minor proportions compared to what came next.

Relief groups estimate that 200,000 to 500,000 people have been killed in the genocidal carnage that began in April, although some U.S. intelligence experts estimate the death toll at one million or more. Much of the killing was carried out with machetes, but automatic rifles and hand grenades were also commonly used. Their wide availability helped Hutu extremists carry out their slaughter on a horrendous scale. The huge piles of Tutsi bodies massacred in Rwanda since April are now juxtaposed with the huge piles of rifles in Goma, Zaire, that were confiscated from fleeing Hutu.

Rwandan authorities distributed large numbers of firearms to militia members and other supporters months before the genocide began, and again after most foreigners left Rwanda at the beginning of the carnage. One example is sufficient to demonstrate the impact of small

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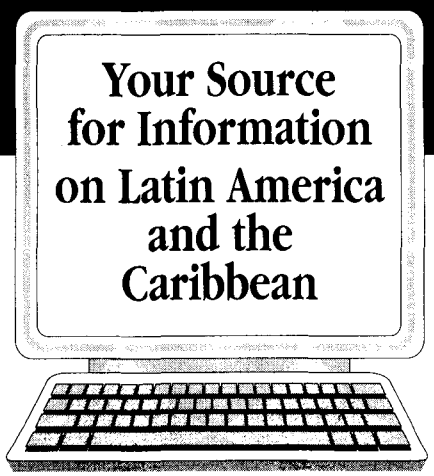

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arms in the hands of those capable of crimes against humanity: Human Rights Watch/Africa reports that 2,800 people gathered in a church were slaughtered by militiamen using automatic rifles, machine guns, grenades, and machetes. As people fled, it took the militia four hours to kill them all.

Governments that supplied weapons and otherwise supported those forces bear some responsibility for needless civilian deaths. In March 1993, following the release of a report detailing the massacre of several thousand unarmed Tutsi civilians between 1990 and 1993, Belgium withdrew its ambassador, Johan Swinnen, for two weeks to protest the abuses. In contrast, France apologized for them. Said French Ambassador Jean-Michel Marlaud, "There are violations by the Rwandan Army, more because of a lack of control by the government, rather than the will of the government." Hutu leaders got the message that they could get away with genocide facilitated by foreign arms.

Perhaps if more had been known about the flow of light weapons and small arms into Rwanda, if the international community had the opportunity to stop the arms influx or at least to pressure suppliers into conditioning arms supply on human rights performance, the outcome would have been different. Yet to this day France, South Africa, Egypt, and Uganda have not fully disclosed the nature and extent of their military assistance and arms transfers.

For Rwanda, international scrutiny came too late. In the future, human rights organizations may continue to disagree with governments about the impact of the transfer of light weapons and small arms. But a democratic debate over whether such transfers conflict with human rights requires knowledge of the transfers themselves. This is something that any democratic republic, including France and the new South Africa, should understand.

THE PROBLEMS OF CONTROL

On every continent, trade in light weapons and small arms—both legal and on the black market—is rapidly expanding, although there are no reliable statistics. This contrasts with the global trade in heavy weapons systems, which, according to most statistics, has actu-

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ally declined in dollar value in recent years.[1] Both trends reflect the high demand for light weapons and small arms in regional conflicts. Most observers agree that those arms have never before been so easily obtainable.

It is increasingly clear that the proliferation of light weapons is a destabilizing force throughout the world. Pistols, rifles, machine guns, grenades, light mortars, and light artillery are the weapons used most often in repressing civilian populations. Included in their toll is the suffering of refugees, and the corresponding costs of international humanitarian relief efforts. Small arms raise the cost of international peacekeeping and peacemaking operations. Thus, they endanger not only internal, but also regional and international stability.

Nonetheless, conventional arms trade control remains a secondary issue for most nations. Almost no effort is being made to monitor and control trade in light weapons and small arms. Governments and independent analysts alike focus almost exclusively on major weapons systems.

Disclosure of arms transfers is in the interest of the United States and the international community. Therefore, the first and essential element of any control mechanism should be to compel as many states as possible to make their transfers public. Some states, however, will oppose any attempt to compel transparency for fear that disclosure of their buyers might invite competition. Even more states, those that sell arms to human rights abusers, would fear that disclosure would subject them to stigma. But both concerns should be overridden by the collective international need for transparency.

The dynamics of the arms market give rise to another obstacle. Clearly, any control mechanism would be imperfect. The leakiness of existing and past arms embargoes on individual nations is ample evidence of the difficulties involved. A major reason those embargoes

[1] See, for example, U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1991-1992*, Washington: U.S. Government Printing Office, 1994; U.S. Congressional Research Service, "Conventional Arms Transfers to the Third World 1986-1993," CRS Report for Congress, #94-612F, July 29, 1994; Stockholm International Peace Research Institute, *SIPRI Yearbook 1994*, New York: Oxford University Press, 1994.

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have been difficult to enforce is that without any mechanism to control transfers, states can easily buy arms through second- and third-party transfers, without the knowledge of the original producer.

There is also the huge problem presented by the voluminous covert trade in light weapons, which some observers believe may amount to billions of dollars each year. In one incident in 1993, 150 tons of assault rifles, mortars, rocket launchers, land mines, and ammunition, mostly of Chinese and Czech manufacture, were found in a warehouse in Slovenia, intended for Bosnian Muslims. Clearly, private arms dealers would seek ways to illegally circumvent any control mechanism. "Yet the biggest regular suppliers of weapons to the covert arms trade are not freelancing private arms dealers, but governments themselves," reports *The Economist*. "The main motive is cash."

Covert trade in light weapons may amount to billions of dollars each year.

The international community has never established a viable mechanism for controlling the transfer of conventional arms. Attempts at control have largely consisted of a patchwork of often ineffective arms embargoes against perceived rogue nations and failed international discussions, notably the Conventional Arms Transfer Talks during the Carter administration and the U.N. Security Council "Perm 5" talks following the Persian Gulf War. Many nations have domestic legislation regulating arms trade, but such regulations tend to be weak and susceptible to duplicity by such means as false end-user certificates. And, in general, there is far less official scrutiny and regulation of the trade in small arms and light weapons than in major weapons. Most troublesome, nations rarely have meaningful control over how their weapons are used once transferred.

The most significant international initiative to date has been the establishment of the United Nations Register on Conventional Arms. The register was made possible by the end of the Cold War, which created a more sympathetic environment for conventional arms trade control, and Iraq's invasion of Kuwait, which convinced many nations of the dangers of excessive arms transfers. The U.N. register is a voluntary mechanism, designed not as a control measure but as a confidence-building procedure. Data is requested on the export and

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import of seven categories of major weapons systems: battle tanks, armored combat vehicles, large-caliber artillery systems, combat aircraft, attack helicopters, naval warships, and missiles and missile launchers. The U.N. established the register in 1991, and states made their first entries in 1993 for the previous calendar year.

The U.N. register has been a qualified success. Some previously unknown information was reported, while some critical and otherwise known transfers were not.[2] Fortunately, most arms exporters participated, including a number of countries that have traditionally been secretive about their arms trade, such as France and the United Kingdom. But only two-thirds of arms importers participated; some key nations in the Middle East and Asia did not.

These shortcomings stem partly from fundamental problems with the register itself. It does not include light weapons and small arms; it requests reporting only after the completion of a calendar year; and it requests states to participate on a voluntary basis. Rwanda is a case in point. Despite the heavy flow of arms into that country in 1992, the only entry listed in the register is Egypt's provision of six 122-mm howitzers. These problems are readily recognized by people responsible for developing the register, but they point out that the collective political will necessary to correct the problems does not exist at this time.

Still, the premise of the U.N. register is sound. Increased transparency enhances peace and stability. A register for trade in light weapons and small arms is needed more than one for major weapons systems, as far more about trade in the latter is already known. The addition of light weapons and small arms to the register, even if unevenly reported, would be a major step forward. Transparency can also be a crucial tool in the much-needed effort to demand accountability for weapons misuse—by the supplier as well as the recipient.

Whatever control mechanism is used, to be effective it must seek to compel rather than merely request disclosure, and disclosure should be within a reasonable period. A nation's willingness to cooperate should be a prerequisite for its acceptance by the international community. The

[2] See Edward J. Laurance, Siemon T. Wezeman, and Herbert Wulf, *Arms Watch: SIPRI Report on the First Year of the U.N. Register on Conventional Arms*, New York: Oxford University Press, 1993.

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nurturing of such a climate would, of course, take time. The first step should be expanding the register to include light weapons and small arms.

Many states will be opposed to controls on trade in light weapons and small arms, and reasonable questions will be asked about the feasibility of constructing a verifiable or enforceable export control regime. Nevertheless, this is an opportunity for the Clinton administration to show leadership on an important but largely ignored threat to international peace and stability.

AMERICA'S ROLE

NO DISCUSSION of conventional arms exports should omit the fact that the largest conventional arms exporter is the United States. The Clinton administration has trumpeted the increased threat of the spread of weapons of mass destruction as the foremost danger facing the United States. Yet it has issued hardly a word on conventional arms—the real killer—except to assert their importance to U.S. defense manufacturers. For almost two years, the administration has labored to develop an official arms transfer policy. According to the Senate Appropriations Subcommittee on Foreign Operations, "Regrettably, the evidence clearly indicates that the administration has sought to promote arms sales, rather than to reduce them."

The United States, as the world's number one arms merchant, should take the lead in proposing new ways to control the flow of light weapons and small arms. An administration that is struggling to deal with crises in Rwanda, Bosnia, Somalia, and elsewhere should recognize its own need to check this type of proliferation.

To its credit, the U.S. government has taken action on light weapons in two notable instances. In a precedent-setting action earlier this year, the United States announced that it would no longer provide small arms to Indonesia in recognition of its government's use of such weapons in human rights abuses in East Timor. The U.S. Congress has incorporated a similar ban into this year's foreign aid appropriations bill.

Even more noteworthy is the leadership the United States has exercised in prohibiting the export of a particularly egregious light weapon—the antipersonnel land mine. With strong encouragement

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from a broad coalition of human rights, humanitarian, arms control, development, and environmental organizations, the United States, at the initiative of Senator Patrick Leahy (D-Vt.) and Representative Lane Evans (D-Ill.), enacted a one-year moratorium on the export of all antipersonnel land mines in 1992 and extended the moratorium for another three years in 1993. The U.N. General Assembly subsequently passed a resolution calling for a worldwide moratorium on land mine trade, and to date about a dozen nations have announced an export ban. The U.S. State Department and the Arms Control and Disarmament Agency are developing a framework for an international export control regime for antipersonnel land mines. This could provide a model for limiting the trade in light weapons and small arms.

While the vast majority of the United States' major weapons transfers are public, most of its transfers of light weapons and small arms are not. For this trade no regular reporting is made to Congress in classified or unclassified form.[3] Many sales are private commercial transactions, and attempts to get detailed data on them through the Freedom of Information Act are routinely denied on proprietary grounds. But since the United States has perhaps the most transparent arms transfer system of any arms-producing nation, it has little to lose and much to gain by compelling competitors to move toward an equal or higher standard.

Transparency would not translate into control. But it is a necessary starting point in coming to grips with the nature, scope, and effects of the trade in light weapons and small arms. The costs to the world of this uncontrolled trade are so great that urgent action is needed. Nations need to devote more resources to monitoring and assessing the impact of the light arms trade. The international community needs to do some serious and creative thinking about how to design a control regime. To preclude more killing fields, the world begs for leadership now.

[3] For several years in the late 1970s and early 1980s, a useful and detailed annual report was publicly released to Congress that contained comprehensive data on the U.S. trade in light weapons and small arms—the "Annual Report on Military Assistance and Exports, as required by Section 657, Foreign Assistance Act." Resuming publication of this report would be the single most important step the U.S. government could take to increase transparency in arms transfers.

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The World Bank: Is 50 Years Enough?

Henry Owen

A CHILD OF WAR, A PARENT OF PROSPERITY

OF GREAT SERVICE in its first 50 years, the World Bank Group will render even greater benefits in its next 50 years if, unlike most institutions, it can adjust to the vast changes that have occurred since its founding. These changes require the World Bank Group to make substantial policy and posture shifts. To examine such shifts wisely, one must first look at the record.

In country after country, the World Bank has made a difference. To take but one example, its aid has been a major factor in making India agriculturally self-sufficient. When that vast realm became independent after World War II, it had endured a tragic wartime famine, which was renewed evidence of the fragility and inadequacy of its agricultural system. Since then, large-scale financial and technical assistance by the World Bank has greatly strengthened Indian agriculture by increasing food production, expanding reserves, and improving distribution. It has transformed the lives of hundreds of millions of people on the Indian subcontinent. And by relieving the

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HENRY OWEN has served as Ambassador-at-Large in charge of U.S. Economic Summit preparations. He is now a Senior Consultant to Salomon Brothers, and Co-Chairman of the U.S. Bretton Woods Committee, and a member of the international Bretton Woods Commission, which recently published a report on the future of the Bretton Woods institutions. The views in this article are his own.

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pressure of India's food purchases on world supply, the World Bank has improved the global food situation and, as a result, international economic prospects.

This sequence of events illustrates a broader point. The world economy went forward after World War II, rather than receding as it did after World War I, in part because the Bretton Woods institutions—the World Bank[1] and the International Monetary Fund—met the need for international banks of last resort. The absence of such institutions in the 1930s prolonged and deepened the Great Depression. After World War II, most of the world lacked investment capital. Governments, except for the United States, could not provide that capital; they were too poor. Private financial markets were small and cautious. The World Bank filled some of the gap. With guarantees from its founding governments, the Bank was able to raise substantial funds, which it put to good use in restoring a devastated world. Then it took on the greater and longer-term task of spurring economic development. The Bank's operations grew in scale and diversity, and the benefits of its work spread around the globe.

NEW CHALLENGES

OVER TIME, two deficiencies in this work became evident. Since the Bank's money was largely raised in private markets at market rates of interest, its loans were necessarily extended to borrowers at those same rates. Such rates could not be paid by certain poor countries, particularly in South Asia and Africa. The International Development Association was created as a remedy in 1958. Its loans were subsidized by donor government grants to the IDA, and thus could be made at below-market rates. The IDA's success is reflected in the fact that the number of countries requiring such "soft" loans has steadily declined, due in part to the development assistance received from the IDA.

[1] The term World Bank has long been used to refer to the International Bank for Reconstruction and Development and its subsidiary institution, the International Development Association. These institutions, together with the International Finance Corporation and the Multilateral Investment Guarantee Agency, are known as the World Bank Group.

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Moreover, the World Bank was founded at a time when governments were the main economic actors in the world. The fact that the Bank was prohibited by its articles from making loans that were not either directed to or guaranteed by governments initially posed no problem. As private sectors grew in developing countries, however, it became clear that the World Bank Group's effectiveness would be limited if it could not find ways to help that sector. This deficiency led to the founding of the International Finance Corporation, which is prohibited from lending to anything other than private entities, and which can also invest in these entities. More important, it serves as a catalyst in mobilizing the debt and equity resources of private entities in the industrial world to join the IFC in aiding developing countries. The Multilateral Investment Guarantee Agency was created for the same reason, and it is now operating on a large scale.

The World Bank was a key part of the 'green revolution' that eased famine in developing countries.

There were other important changes in the World Bank Group as it grew and learned from experience. A couple are worth special mention. The World Bank has played a growing role in stimulating and coordinating research and development of new technologies that have proven to be especially relevant to developing countries, particularly in agriculture. The World Bank's agricultural research coordinating group has contributed much to the "green revolution," which contributed so much to economic growth in the developing world.

Increasingly, the Bank also coordinates the actions of other donor agencies and governments. It periodically convenes and chairs country committees of these donors. Such meetings have helped to convert unrelated national and multilateral aid programs for such key countries as India into reasonably integrated international efforts.

Further coordination will be needed of bilateral aid programs, projects of regional multilateral development banks (MDBs), and World Bank efforts—particularly in Eastern and Central Europe, Russia, and other former Soviet states. At present, close contact between MDBs and bilateral aid programs directed to Eastern Europe appears to work. In some cases, however, avoidance of duplication is

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not enough; integration of specific programs is necessary. For example, assembling the huge funds needed to finance the building of new power plants in order to replace or upgrade dangerously outmoded nuclear power plants in Eastern and Central Europe and the former Soviet states requires the combined efforts of the World Bank, the IFC, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank.

For this, some new, tighter ad hoc means of integration should be sought. The question of coordination of aid also arises in regard to the regional development banks. So far the coordination between the World Bank and the Inter-American, Asian, and African development banks has been informal. The World Bank Group needs to take a larger lead role in ensuring that this coordination is effective.

One reason the World Bank has been able to play the varied, useful, and innovative roles described above is that it is well staffed. The caliber of its top management and staff is high. The attractions of international service to humanity and high salaries have helped in this regard. Its benefits are only partly offset by the internal management problems so vividly described in the publicly available report of Willi Wapenhans, a high-level World Bank official: too many committees, too much paperwork, too many clearances required in Washington, and too little inspection of ongoing projects and other follow-through in the field. Steps to remedy those defects are being taken, but will take time.

Some critics argue that too much of the Bank's work has been focused on huge projects. The appropriate response to such a criticism is a question: How does one dam a great river, so that irrigation and power will be available to poor farmers, without constructing a large project? The Bank's projects should be judged not by their size but by their effects. Does the project help or hurt in the war against poverty? In many regions, the Bank's projects clearly have helped. Per capita income of both rich and poor people has substantially increased in the countries that have received the most Bank aid. The answer is less clear in some African countries, and there the Bank's strategy is being reexamined. In other African countries, progress is being made, and the Bank's loans seem to have helped.

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CHANGES IN CLIENTS AND DONORS

AMONG THE World Bank's clients, a significant number of emerging market economies, particularly in Latin America and Southeast Asia, have made sufficient progress that they can increasingly rely on private markets to finance their growth. Most of this financing comes from the industrialized world; some of it comes from within these countries, where stock markets have expanded significantly. In those countries, governments are no longer the main economic actors in nonfinancial sectors; increasingly, manufacturing and service industries are being privatized.

The Czech Republic, Hungary, Poland, Slovakia, and Slovenia, among the countries of the ex-communist world, have embraced not only political democracy but also market-oriented economic systems. The World Bank and the IFC have moved vigorously to help the governments and private sectors of those nations, so that economic improvement can follow and reinforce political change. Although those countries' economic problems have not been solved (witness the recent victories by ex-communist parties in Hungary and Poland), substantial progress has been made. Much more progress will be needed if those revolutions are to be preserved.

The changed economic situation in Eastern and Central Europe is very different from that in Russia and other former Soviet states. After some seven decades of communism, Russia and other former Soviet states have lagged behind the rest of the world much longer than has Eastern Europe. As a result, the economic outlook in Russia is more uncertain: the difficulties and the needs are greater, the per capita capacity to absorb investment is less, and the local capital markets are less developed. So it will be more difficult for the World Bank Group to hasten economic progress in Russia and the other former Soviet states than it has been in the Visegrád countries.

China is a World Bank client in which there has been truly revolutionary economic change. Chinese skills and entrepreneurial talent are now being given a looser rein within the limits set by a government that is largely bent on preserving public ownership of some key means of production. China's political uncertainty may cast a shadow

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over the long-term economic outlook. In the meantime, the great economic progress being made in China is the biggest challenge confronting the World Bank Group, and it is one that the Bank's government-centered traditions are well suited to meet.

Great change is also evident in South Africa. The World Bank is at the heart of both public and private international efforts to help this renewed country. Prospects for success are reasonably good, given the considerable talent and infrastructure available there, so long as moderate fiscal, economic, and political policies are maintained and so long as the World Bank can stay the course. Private investment from abroad will not take its place until the political outlook is more certain.

The World Bank Group's mission now includes Palestine and Eastern Europe.

The World Bank Group is also assembling an international group of donor countries and agencies to help the new Palestinian entity that will emerge on the West Bank. The object is to exploit the substantial skills and assets in this region to complement and reinforce the recent unexpected political progress there with necessary economic advances. The obstacles are enormous, but the promise of its access to the rich Israeli market is also considerable.

Two conclusions flow from these changes in client countries. Although private sectors and capital markets in developing countries are growing, an effective World Bank Group is still useful. The Bank is needed to help the public sector (particularly in health, education, and infrastructure), even in rapidly growing countries, and the IFC is needed to help the expanding private sector. If you add the new requirements in Central and Eastern Europe, Russia, other former Soviet states, China, South Africa, and Palestine to the ongoing need to help eradicate poverty in areas such as South Asia (which is making considerable progress) and Africa (which is not), a strong case for a continuing and effective World Bank Group emerges.

The second conclusion is that although the nature of the World Bank Group services needed will vary from country to country, the changes transforming many of these countries have this in common: they will greatly enhance the roles of private sectors and reduce the

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roles of governments. The relative size of the operations of the World Bank, which can only deal with governments, and the IFC, which can only deal with private entities, may thus eventually be reversed in the most rapidly growing countries. These include, as noted, certain Latin American and Southeast Asian countries and South Korea. India is also on its way.

The dramatic growth of the private sectors in donor countries was the force that radically transformed the international economic order over the last 50 years. In the industrial countries, private capital markets can now mobilize vast sums of money and move them back and forth over great distances in a matter of seconds. More and more of the needs of the most advanced developing countries will be met by private investment banks, commercial banks, investment trusts, pension funds, insurance companies, and other large sources of private capital in the industrial world. The amount of private capital now moving from industrial to developing nations, although less than that which circulates within and among developed countries, dwarfs that moving from the World Bank Group and other multilateral development banks.

In effect, the financial power that was once wielded by governments has both grown and been dispersed. Part of that power has gone to such supranational institutions as the European Union; part has gone to subnational regional institutions; and a large part has gone to private businesses and, to a lesser extent, nonprofit organizations. The World Bank Group must therefore shape its future in a world where the nations that are its shareholders are no longer all-powerful. It must respond to the claims and views not only of the national governments that created the Bretton Woods institutions, but also of other governmental and nongovernmental organizations (NGOs) in both donor and recipient nations.

ADJUSTING TO CHANGE

THE WORLD Bank Group faces two overlapping challenges. The immediate one is to make the World Bank more responsive to the needs of the private sector in client countries, enlarge the role and resources of the IFC, and mobilize more private capital to complement

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both World Bank and IFC operations—all the while taking greater account of environmental considerations, promoting greater openness in World Bank operations, and otherwise reflecting the views and interests of the nongovernmental organizations that now do much to shape the international economic scene. A tougher challenge, to be faced in the next century, is to decide how much to reduce the role of the World Bank and the IFC in the face of growing private financial institutions and markets in both donor and recipient countries.

One way of meeting the Bank's first challenge would be through amendment of its articles, which prohibit loans to the private sector unless they are guaranteed by governments. However, such a move might trigger pressure to amend other articles and thereby endanger the Bank's effectiveness. Alternative ways exist for the Bank to help the private sector. As a precondition for lending to governments, the Bank could require governmental actions—for example, tax reform and privatization—that assist the private sector. The Bank is already moving forcefully in this promising direction. And the Bank can single out for special attention projects that will more directly assist specific private ventures. It can, for example, help finance government-owned transportation and utilities in regions where they are needed for new business and manufacturing ventures. This would be in addition to the Bank's support for nationwide health and education programs that help create an environment conducive to progress in both the private and public sectors.

The World Bank must become more responsive to the private sector.

Another approach would be for the Bank to secure performance guarantees, instead of repayment guarantees, from governments in recipient countries, and thus help the IFC to lend to private ventures whose prospects are improved by those guarantees. Finally, the Bank can give substantial aid to intermediaries, like government-owned development banks, which help the private sector. This has been done and has been useful. In some cases, however, it has drawn criticism on the grounds that such intermediaries compete with private banks and thus retard growth.

These examples illustrate a general point. The Bank can help the

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private sector, even without amendment of its articles, if there is change in its traditional culture, which has tended to focus on government projects. This, of course, requires a conviction on the part of the Bank's management and staff that helping the private sector is their highest priority in emerging market countries. Also, it requires the Bank to rely increasingly on securing cofinancing from private sources. In Russia and other former Soviet states, the Bank's efforts to change the recipients' policies toward the private sector will be at least as important as its efforts to deliver more resources to governments.

The IFC, unlike the World Bank, can make both equity investments and loans within the private sector and can put together deals involving private banks and other financial institutions to leverage its limited capital. Its record in doing both is so impressive that private capital markets have allowed it to raise money on terms at least as favorable as those secured by the seemingly more conservative World Bank. The IFC's resources are now adequate, but its tasks are multiplying rapidly, particularly in the financing of power, telecommunications, and transportation projects. Those needs are great and growing in developing and ex-communist countries. Experience suggests that they can be met most efficiently under private ownership and management. If these growing infrastructure needs are not met, economic growth will be retarded in these countries.

Even if due precautions are taken to avoid IFC competition with private financial institutions, vast sums will be needed by the IFC. The IFC can finance part of this increase by its recent move toward a gearing ratio that requires less reserves for its operations, by reshuffling its priorities, and by securitizing (selling off) some of its high-quality loans and investments. But the IFC would probably also need new money from the World Bank or donor governments if it were to expand its activities beyond the planned 10 percent rate to, say, 15 percent. The expansion of infrastructure financing will be a major factor in deciding whether this happens.

There are several ways this program can be accomplished. Existing IFC programs could be enlarged, or the IFC could launch a global infrastructure fund in which other multilateral development banks and private financial institutions could invest. Alternatively, the IFC

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and the EBRD could jointly create and manage an infrastructure fund for Eastern and Central Europe and the former Soviet states. Such a fund could help to finance new power plants to replace dangerous and outmoded nuclear power plants in these regions. If a European infrastructure fund were created, it could be followed by the IFC's creation of infrastructure funds in cooperation with the Inter-American and Asian development banks for projects in their respective regions.

In all such infrastructure funds, private participation and investment should be sought. The objections of private investors to the long-term loans required for infrastructure financing might be alleviated by greater use of the World Bank's guarantee authority, not so much in providing guarantees of repayment as in providing guarantees of performance.

Advice from the World Bank will be heeded—if it is attached to loans.

Eventually, external financing of infrastructure and almost all other profit-making enterprises, in all but the poorest countries, can be provided by private financial markets. Even in the long term, however, there will be a continuing need for some World Bank Group programs. There will be governments that prefer dealing with the World Bank and some countries that only the World Bank will be willing to take on. When people suggest that the Bank should eventually limit itself to advising client countries, we should remember that the Bank's advice will be taken more seriously if it is accompanied by loans. It will be a long time before the private markets can finance the health and education programs that the World Bank now supports in poor and rapidly growing developing countries. The IFC will remain the preferred means of aiding the private sector in countries where political risks deter many private lenders and investors.

The IDA will remain a special case. It offers loans below market rates and must therefore be subsidized by governments. Their desire to make these transfers is waning in the face of budget stringencies. The need of sub-Saharan Africa and certain other regions for aid on concessional terms will continue. It may be necessary to raise the level of transfer payments to IDA, if poverty in such regions is to be overcome by new investment.

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TOWARD EFFECTIVE COOPERATION

WITH INCREASING reliance on private institutions to move financial resources to the developing world, the question arises as to how they use their resources. Do they help to meet the recipient countries' needs, or do they merely multiply their own wealth? In fact, it is hard to do one without doing the other. If an investment yields a large return, the goods and services that it produces must meet a large and effective demand. The market generally rewards ventures according to their economic usefulness. So a private financial institution that responds to the market is usually doing not only well but good.

The increasing shift to private sources of development financing will thus not cause as great a change in the priorities of either donor or receiving countries as might be supposed. This is all the more true because of the growing role of nonprofit and nongovernmental organizations in the private sector. Increasingly, they shape the environment in which both multilateral development banks and for-profit financial institutions must work. NGOs are not new. What is new is the growth in many countries of a large, reasonably well-off, educated middle class that leads and supports their work, championing such causes as family planning, the environment, and the role of women in economic development, and doing so more because of its ideals than because of economic self-interest.

World Bank policies are not likely to change as rapidly as some NGOs want. The optimum balance between environmental and antipoverty goals is not always clear. This, along with the slow pace at which a large organization like the World Bank Group can change its policies, even when the merit of change is clear, has led some American NGOs to oppose continued appropriations for the World Bank Group. This attitude poses a threat not only to the Bank but to the IDA, since there are already serious objections to its continued funding because of tight budgets in the donor countries. NGO opposition, added to these objections, could push the IDA over the edge, which would help doom at least 100 million people in Africa to continued economic stagnation.

NGO criticism of the World Bank is but one example of a more gen

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eral phenomenon. The World Bank Group does not have much of a constituency, at least in the United States, where its work is little known or understood. The result is that there are often pressures for starting less efficient ad hoc aid programs to do what the World Bank Group is already well-equipped to do.

One way for the World Bank Group to secure the public support it needs would be for it to be more open and disclose information about its views and deeds. This is now being done. The Bank must also seek to create new and closer relations with NGOs in both donor and receiving countries. Not only do NGO views deserve attention, NGOs can sometimes work with the Bank in shaping and executing needed programs, as they are now doing in some developing countries.

Over the years, the World Bank Group has been criticized from the right for preferring public-sector projects over private-sector development. Of late, more pronounced criticism from the left has contended that the Bank pays too little heed to the "little man." The record shows otherwise on both counts, but a good record is not enough. Support for the Bretton Woods institutions may not last the next 50 years, nor should it, unless the World Bank Group's ends and means are radically revised to keep pace with a changing world. The time to start changing is now.

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Germany's Chained Economy

Amity Shlaes

THE SOCIAL CONTRACT FRAYS

THE FANCIFUL novel reads, "GUANGZHOU—January 4, 2022. The first world's fair in the supermodern convention center of the south Chinese metropolis has just opened." At the center of the exhibition, perpetual economic leaders such as Japan and the United States have set up their stands. Germany, however, is nothing more than a tiny, unimportant player relegated to a far corner. There, its diplomats to the world's fair "wait around with embarrassment for a call from the Korean prime minister . . . [he] had important commitments, but he has agreed to appear out of old loyalty."

This particularly German nightmare of geo-economic humiliation comes from *Can the Germans Still Be Saved?*, a 1994 book by Herbert Henzler, chairman of McKinsey Germany, and Lothar Spaeth, a former state governor and chief executive of the firm Jenoptik. Their scenario, of course, is exaggerated. After all, Germany is currently bursting out of its recession; 1994 in the newly enlarged Federal Republic, as in the United States, will go on record as a year of growth. The Deutsche mark dominates the European economy. Time and again since the birth of the Federal Republic, German leaders and economic analysts have wrongly predicted German

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AMITY SHLAES, a member of the *Wall Street Journal* editorial board, writes on economics. She is the author of a book on German national identity, *Germany: The Empire Within*.

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decline. Just 12 years ago, warnings of Eurosclerosis possessed the land. National worries about competition from new, cheaper markets entering the European Community sent Germans into a funk. Gloom that Germany had hit a fateful unemployment level of two million (a bit more than half of the current level) helped topple one of the republic's most successful chancellors, Helmut Schmidt. An ordinarily foresightful columnist from the *Wall Street Journal*, Vermont Royster, published an October 1982 column entitled "End of a Miracle." A few years later, Germany was booming.

Yet today Germany—indeed, all Western Europe—faces something more serious than a case of Eurosclerosis. If in the old days worries about competition were caused by Spanish industry or Portuguese textiles, today they come from the countries that we call "emerging markets." In the early 1980s, Asia's little tigers were too small to grab attention in Munich or Hamburg; the single big threat from Asia was still Japan. Latin America lay in the thrall of the debt crisis; Mexico teetered on the brink of defaulting on its loans. Even absent a globalized economy, Germany and its western neighbors face a new economic environment. Post-communist nations with weak currencies and labor costs one-fifth to one-tenth of Germany's are pulling in capital from sources around the globe—including Germany. And those new stars are Germany's neighbors, as close as the Czech Republic and Poland, just a few hours to the east of Berlin by automobile.

For Germany, the grandmother of social welfare states, these changes pose a challenge to national identity unprecedented in the postwar period. The phrase "we are a socially oriented nation" is often the first one out of the mouths of Germans seeking to explain a century-long commitment made by the strong to the weak. Since World War II, the Federal Republic has continued that tradition, successfully serving its citizens with a mildly paradoxical system known as the "social market economy." But Germany and indeed all the other West European nations to whom it exported social democratic ideas can no longer afford this notion. Even as the Federal Republic moved out of recession at the beginning of this year, unemployment was still moving upward. The cradle-to-grave social welfare system has yielded a peculiarly airless environment that stifles

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energy and innovation. "As soon as they leave school," Volkswagen Chairman Ferdinand Piech says of German youth, "they ask what their pension will be." The Federal Republic now faces the greatest test yet of its old social contract.

WHEN WORKERS UNITE

TO UNDERSTAND Germany's quandary, it is important to review the unexpected challenge that the absorption of some 17 million Eastern Germans and their polluted territory has imposed. In the heady days following the fall of the Berlin Wall, Western governments, including Bonn, joined East Berlin in assigning a high value to the East German economy. Their data backed their appraisal: as late as the 1980s, international organizations figured East German per capita GNP at about the same level as Belgium's and higher than that of Italy, Saudi Arabia, or Britain. Although the Kohl government and its friends knew reunification would involve significant costs, they did not foresee the one trillion Deutsche mark increase in the national debt, a doubling over five years, that attended the process.

One reason for these costs was the absolute bankruptcy of the East German regime and its command economy. Yet Bonn actually had an unparalleled opportunity in East Germany. By its own admission, the Kohl administration found West Germany overtaxed and overbureaucratized. Reunification offered an opportunity to debureaucratize through national reform, or at least to allow the new states of East Germany an experimental period under a low-tax, low-regulation regime. Such ideas were voiced by, among others, Otto, Count Lambsdorff of the Free Democratic Party. But in the fray of reunification, they were ignored.

Instead the Kohl government pursued a massive program of social redistribution. Germans, in retrospect, point out two errors. The first was the Federal Republic's high appraisal of the value of East Germany's physical assets, such as factories and heavy machinery, and its focus on that estimated value, rather than assuming that it would have to start from scratch. The most valuable properties in East Germany turned out to be favorably located "green fields" rather than outdated

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factories. The second was Bonn's decision to extend all of West German law and regulation to East Germany and then compensate for the strains of that regime with special reunification subsidies and tax loopholes. Rather than laying the foundations for fresh growth, it attempted to ordain growth by setting a currency exchange rate of one Deutsche mark-to-two East German Marks, thus importing West Germany's prohibitive wage levels (and economic expectations) to East Germany. The hope was that a Keynesian spending spree of DM 150 billion per year would sufficiently prop up demand to launch eastern Germany.

WORKERS OF THE WORLD
1993 LABOR COSTS

COUNTRY	$ PER HOUR
GERMANY (WEST)	25
JAPAN	16.5
USA	15.5
FRANCE	15.5
UNITED KINGDOM	13
SOUTH KOREA	7.5
MEXICO	3
MALAYSIA	2.5
POLAND	2
CZECH REPUBLIC	1.6 *(1992 figure)*

Source: Morgan Stanley, Hanover Chamber of Commerce

Many Germans argue that the Kohl government had little choice. Locked in by two sets of elections in 1990, the incumbent Kohl made his historic promise to former East Germans that "no one will have a worse situation than before." Yet this policy provoked the disappointment, even the anger, of central bankers. Karl-Otto Poehl resigned from the Bundesbank presidency following the currency union. The current bank president, Hans Tietmeyer, voiced oblique criticism at a New York meeting of the American Council on Germany this spring when he argued that "new social questions must be tackled not by a policy of redistributing income but primarily by a policy which fosters, rather than impedes, performance."

The result of the Kohl government's policy in any case was to create a work force that expected to earn something close to Western wages while offering about half the productivity. (Reports this year from Goldman, Sachs show that the eastern German unit labor cost, a measure that reflects productivity, is 44 percent above western German levels.) Workers at the Volkswagen plant in Wolfsburg, in the former West Germany, cost too much, but so do underskilled German workers a few miles across the old border to the east. They cannot compete with Czechs or Poles, whose economic betters they were

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only a few years ago. Over a billion dollars in German investment has already moved to Poland, Hungary, and the Czech Republic. For Germany, this is not a terribly significant sum, but it has helped lower unemployment in the smaller countries: the figure for the Czech Republic has recently been a decidedly un-European 3.5 percent.

PAYING MORE FOR LESS

BEYOND POLITICAL discontent, neo-Nazi flashes, and unemployment rates in the mid-teens or higher, the clearest sign of this failure is the absence of successful new East German businesses. The few new companies are frequently either objects of massive investment from the federal government or "bear" companies that have wagered their future on economic decline elsewhere.

Eastern Germany, of course, is a special case, and its treatment, in any case, is a fait accompli. The fundamental problems, and those that will cause most trouble in the future, lie throughout Germany in a social commitment that continues to drive labor costs upward despite new circumstances. One of the best examples of this is Wolfsburg, the international headquarters of Volkswagen. Although Volkswagen today is one of the world's largest companies, the "people's car" was originally part of a Rooseveltian public works program that was one of the more successful National Socialist campaigns. For many years, social commitments like Volkswagen "worked"; that is, the vw Bug was exported and sold across the world, and Germany suffered far fewer of the long strikes that plagued, for example, the United Kingdom. Even in 1994 the scale of the vast grounds of the vw plant at the headquarters in Lower Saxony reminds visitors of the postwar glory days when the entire economy sometimes appeared to be based on seamless interaction and planned cooperation between organized labor and heavy industry.

Today, the Volkswagen plant epitomizes the jam caused by Germany's social commitment. The average German citizen is entitled to 25 to 32 days of paid vacation, plus 10 to 13 days off on state and religious holidays (citizens of Germany's Catholic states enjoy the largest number of such days). Volkswagen workers have done even better,

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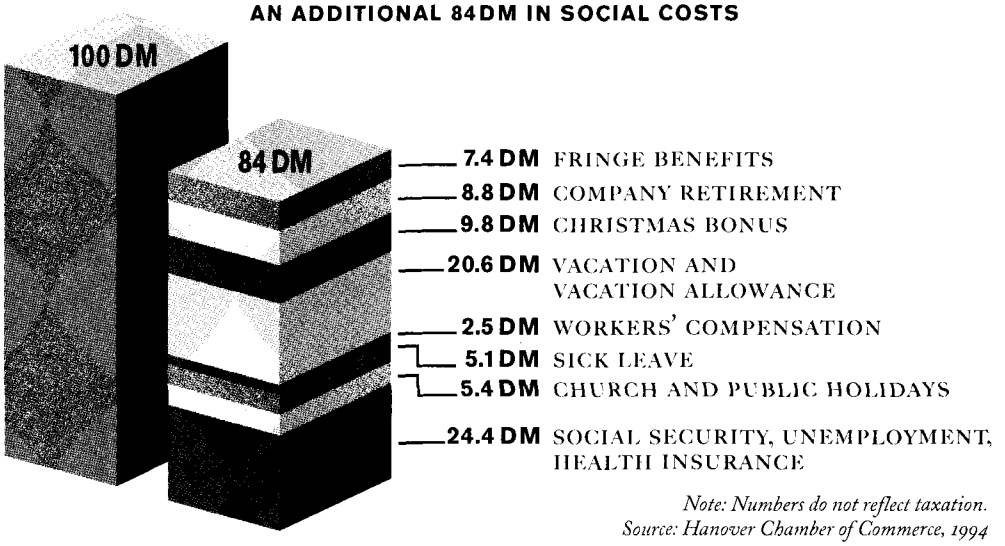
THE COSTS OF COMFORT

FOR EVERY 100 DM IN GROSS WAGES, AN EMPLOYER MUST PAY AN ADDITIONAL 84 DM IN SOCIAL COSTS


100 DM
84 DM
7.4 DM FRINGE BENEFITS
8.8 DM COMPANY RETIREMENT
9.8 DM CHRISTMAS BONUS
20.6 DM VACATION AND VACATION ALLOWANCE
2.5 DM WORKERS' COMPENSATION
5.1 DM SICK LEAVE
5.4 DM CHURCH AND PUBLIC HOLIDAYS
24.4 DM SOCIAL SECURITY, UNEMPLOYMENT, HEALTH INSURANCE

Note: Numbers do not reflect taxation.
Source: Hanover Chamber of Commerce, 1994

with up to 60 days off. The average German enjoys health care as an entitlement and a generous pension, as does the VW worker. The German government keeps a handle on youth unemployment by joining with businesses to run an extensive apprenticeship program; Volkswagen does its share by training more than 4,000 apprentices at an annual cost of $15,000 or more per participant. Volkswagen, like much of the German auto industry, has excess capacity in its domestic plants. But, a VW employee says, "VW tries never to lay off."

Germany's labor costs are the world's highest. Volkswagen's added benefits mean that its workers in Germany are paid more than auto workers anywhere else. The industry average for the indirect social costs of labor amounts to about DM 84 over the DM 100 spent on gross wages. Volkswagen's outlay is 20 percent higher. Although business troubles outside Germany were the biggest problem, domestic labor costs did contribute to a record $1 billion plus loss for Volkswagen internationally last year. This year VW expects to break even, but labor costs are still high enough that its vehicles are too pricey for the currently modest level of German demand.

Volkswagen, one suspects, would dearly like to make dramatic layoffs in Lower Saxony, where it has an excess capacity of 30,000

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workers. But the firm has already eliminated numerous jobs through attrition; a significant number more, warns a VW manager, would increase the area's 10.4 percent unemployment rate to 16 percent. Volkswagen and the businesses that serve it provide 85,000 jobs in Lower Saxony. So accustomed are the firm and the state's citizens to job security that the notion of further, large-scale layoffs frightens both groups. Significant layoffs, the Lower Saxony manager warns, would mean "social revolution."

Whether or not he is correct in his assessment, there are additional barriers to any such move by Volkswagen management. Labor's strength in Germany means that laying off unionized workers is very expensive: "The only way a German company can lay people off is to go bankrupt," one bitter businessman says. Large, publicly traded German firms are typically governed through the special German system of "codetermination," under which trade union representatives join management at the boardroom table. The arrangement is typically a 50-50 one, but in VW's case the scales are tipped in favor of labor. The state of Lower Saxony is a minority shareholder in Volkswagen, and the state prime minister represents the state on the board. The state's current prime minister, Gerhard Schroeder, is from the Social Democratic Party, historically the union's party. Along with labor's representatives, Schroeder's board presence has precluded any solutions that would be viewed as *asozial*, or antisocial.

To spare its 30,000 excess employees, VW embarked on a massive adventure in rearranging production. Workers at its German factories went on a four-day workweek at reduced pay. The savings there have gone toward retraining the 30,000 surplus workers; apprentices have been phased in and early retirees phased out. Volkswagen has guaranteed jobs for two years to the 30,000 who are being retrained. The company reckons it has saved DM 1 billion through this alternative to the settlement costs of layoffs.

Much of German government shares VW's focus on preserving existing jobs as an economic solution. Lower Saxony's Governor Schroeder warmly welcomed VW's job-saving reorganization; he backed VW's sideline training program and has said that the state will probably sponsor a widening of VW's effort to include excess workers from other

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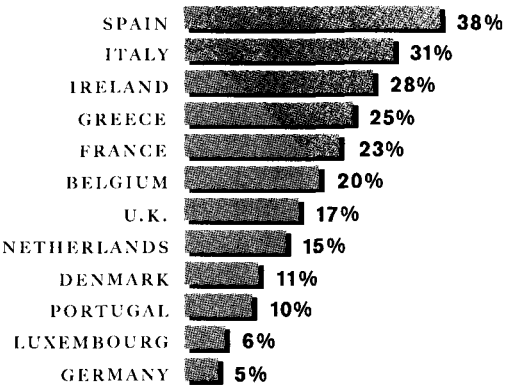
firms. He favors and practices government intervention in the local economy where possible and argues that "the old separation between government and business just doesn't exist."

The close coalition of business and government represented a large concession from the trade unions, who formerly frowned on any but the most standard hour and wage arrangements. Across much of Western Europe, redividing existing jobs to avoid social cutbacks is now trendy. In a policy paper released at the end of July, the European Commission stressed that "if these flexible forms of work are to be generally accepted, it is important to ensure that such workers are given broadly equivalent working conditions to standard workers." Yet even on this socially oriented continent, conventional wisdom now holds that such ingenious efforts cannot alleviate the basic problem: "Legislated, across-the-board work sharing addresses the unemployment problem not by increasing the number of jobs through more economic activity, but through rationing gainful work. Enforced work-sharing has never succeeded in cutting unemployment significantly," wrote OECD authors in 1994.[1]

JOBS, JOBS, JOBS
1993 YOUTH UNEMPLOYMENT



Sources: Lower Saxony Social Ministry, Hanover Chamber of Commerce, Amity Shlaes

In the meantime, high costs have driven Volkswagen to seek more attractive profit margins outside Germany; the voices of VW executives are enthusiastic only when they are speaking of areas where they expect to see strong growth, such as at VW's Skoda factory in the Czech Republic, or in China, or even in Mexico and the United States. BMW's investment in Spartanburg, South Carolina, is one example of new German investment in the United States; Daimler-Benz also has recently established a Mercedes factory in the United States. Reports

[1] The Organization for Economic Cooperation and Development, *The OECD Jobs Study: Facts, Analysis, Strategies*. Paris: OECD, 1994.

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from Dow Jones show that last year, a bad one for auto sales in Europe, the Skoda factory saw a 10 percent increase in production to 220,000 cars. In 1993, VW cars sold domestically in Germany dropped 15.5 percent to 215,242 cars.

In its reduction of labor costs and relocation of production outside of Germany, VW is typical: 19 of the 20 largest firms in Germany reported that they laid off employees in the recession of 1992-93. In the last recession German industry lost roughly one million jobs, which it does not appear capable of entirely replacing. This summer, Western German unemployment dropped a bit to 8.3 percent. However, across Germany unemployment remains above nine percent; in Lower Saxony the result is a stubborn unemployment rate of ten percent plus. Even more troubling is that when Germans—and indeed all Europeans—become unemployed, they are likely to remain so for a long time. OECD numbers show that of all German unemployed, 33 percent have been out of work a year or longer; in the United States that rate is 11.2 percent.

The unemployed in Germany often enjoy better benefits than the working poor in the United States.

To help the unemployed—and to make good the social contract—Germany's government spends generously. Germans, like many other Europeans, receive some unemployment assistance indefinitely. Specifically, employees receive 67 percent of their net wages for up to 15 months and 57 percent in welfare cash thereafter. A reemployment and retraining program of the sort the Clinton administration is considering has long been a fixture in Germany, which spends over $15 billion annually to educate adult workers further. In addition to unusually generous unemployment benefits, the government offers a range of programs to the jobless; $8 billion alone went to creating 290,000 spots in a social welfare program known as the *Arbeitsbeschaffungsmassnahmen*, or ABM, which reimburses private and public organizations for taking on unemployed citizens. As a share of GDP, government outlays are around 50 percent, below France but many points above the United States. So generous is Germany that its unemployed often enjoy greater benefits—free health care, for example—than the working poor in the United States.

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SUPPLY SIDE REGULATION

THE SAME SYSTEM that helps preserve old jobs often prevents the creation of new ones. Says Volkswagen's Piech, "If you want to start a new business, Europe is not yet a good place." For the casual visitor to Germany, the most obvious reason is heavy regulation of supply. One of the clearest examples is the sales law, or *Rabattgesetz*, which prohibits stores from marking down merchandise except simultaneously and in prescribed "sale periods." Neighboring Austria reformed its *Rabattgesetz* several years ago, but Germany's is still on the books.

Another example—particularly maddening for the tourist—is Germany's store-closing hours. The German government and trade associations, in the name of economic management, have long colluded to control demand. Labor unions have also argued against more flexible hours. A trade union recently declared that "the right of 2.7 million retained employees to go home at the weeknight closing time of 6:30 p.m. clearly outweighs the desire of a few individuals to shop in the evening."

German stores close at lunchtime three Saturdays each month and remain firmly shuttered on Sunday. Businesses who can prove they somehow provide services to those with special needs (for example, sandwich shops in train stations) are the only exception. The German entrepreneurs' frustration with this antiquated system is visible everywhere. On a recent Sunday in Berlin, colleagues and I went looking for a place to photocopy a document. Posted to the (locked) door of the firm Copyhaus in the genteel Schoeneberg neighborhood was the following sign: "CAPITAL'S SCANDAL: After seven years of being opened, CLOSED on Sundays. The State Office for Protection of Work denies us the chance to occupy employees on Sundays and holidays. Justification?: lack of public interest (!!?). We think that more than 200,000 customers during Sunday hours speak out in incomprehension!"

Steeply progressive taxes present an added obstacle to businesses such as Copyhaus. According to the calculation of the Hanover Chamber of Industry and Commerce, some 53 percent of the revenues of the Copyhaus and businesses like it go to government; the rate is

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56 percent in Lower Saxony. While the federal government has moved recently to loosen the *Rabattgesetz* and store hours, it has moved in the other direction on taxation. Since reunification, the Kohl government has passed ten tax increases: a special "solidarity extra" for the costs of reunification, an energy tax, an insurance tax, an automobile tax, a tobacco tax, a one-point increase in the value-added tax to 15 percent, a tax on interest, another insurance tax, another energy tax, and another tax on personal vehicles. The taxes, moreover, are largely progressive. "Hunt for the Better Earners," read a recent headline in the magazine *Focus*, which reported that the top five percent of German earners—those who earn over DM 125,800 annually—provide the government with some 40 percent of all income tax revenues. Bundesbank reports show that tax and social costs are equivalent to 43.7 percent of GDP, compared to 30.7 percent for the United States and 33.4 percent for Britain.

A PATENT FAILURE

JOB CREATION is blocked by another German problem—a failure to innovate. Germany from the late nineteenth century forward was a machine of innovation. A sampling of Nobel Prize winners at the turn of the century shows Germans took the prizes for physics and medicine in 1901, chemistry in 1902, and physics, chemistry, and medicine in 1905. Whereas Germany took five Nobel prizes in chemistry in the first decade of the twentieth century, it took only one during the 1980s.

For industry and business, the problem is enormous. The numbers for science are damning. The *Wall Street Journal* recently quoted a report from the German chancellor: "In microelectronics the number of German patents between 1987 and 1992 shrank from 289 to 181, while the Japanese registrations have risen from 17,408 to 23,082. The U.S.A., with a doubling of its patents from 848 to 1,671 [over the same period] is substantially better off than German enterprises." The chancellor saw similar lags in large computers, communications electronics, office technology, and lasers.

The area of biotechnology is also troubling. Open field tests—those conducted outdoors instead of inside labs or areas contained by

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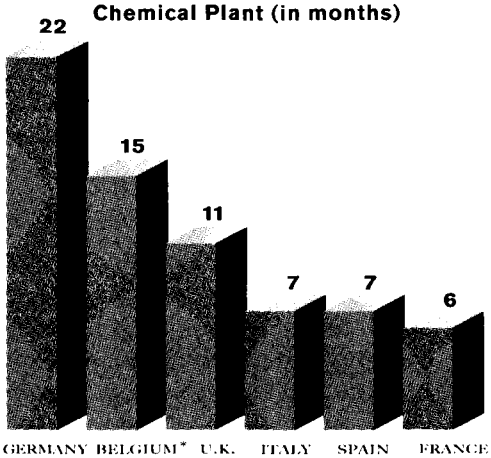
glass—are crucial to the development of bioengineering plants. By 1992, Germany had only two such experiments in progress, in contrast to more than 300 in the United States or Canada. For 1994, the German figure has risen to ten—one percent of the number of such tests in the United States.

The proximate cause of the *Innovationskrise* (innovation crisis), as some Germans have dubbed it, is a legal system that is overly restrictive. Although Germany's Green Party remains small compared to the dominant Christian Democratic Union and Social Democratic Party, green thinking preoccupies Germans of all political backgrounds and generated a chain of new environmental legislation beginning in the early 1980s. Motivated by genuine and compelling problems of overcrowding, quality of life, and pollution, Germany has adopted some of the strictest laws in the world. In the case of biotechnology the problem is Germany's *Gentechnikgesetz*, or law on genet-ic engineering, which has been liberalized somewhat but remains extremely restrictive by world standards. To obtain permission for an open-field experiment, businesses must undergo a lengthy process. American businesses, by contrast, must only obtain approval for the product.

RED TAPE BLUES

The Time It Takes To Approve A Chemical Plant (in months)



**Flanders only*

Source: BASF, Hanover Chamber of Commerce, 1992

Other areas of heavy industry report being similarly constrained by government regulations. The chemical company Henkel, for example, reports that due to new laws and the *Bundesimmisionsgesetz* (federal emissions law) the average number of months it takes to get permission to build a new chemical plant has grown to 17.5 in 1992 from 5.8 in 1985. A recent survey indicated that establishing a new factory takes an average of 22 months in Germany, compared with six in France. In the words of Wilfred Prewo of the Hanover Chamber of

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Commerce: "The Americans invent, the Japanese produce, while the Germans still debate ethics."

The *Innovationskrise* has another, subtler source—the failure of German education. Germans study, to a large degree, tuition free, at cost to the state. There are very few private business schools and universities. The result has been to some degree a "dumbing down" of institutions that were once world leaders in research; now students have an unrelenting menu of overcrowded state institutions. Public generosity and antiquated requirements also mean that the education of young people lasts too long. Germans spend, on average, double the number of semesters in institutions of higher learning that Americans do. Those trained in German programs start work at companies in their late 20s and early 30s, an age by which they are often, in the words of a Deutsche Bank vice president, "simply too old" to be flexible.

German educational institutions also lag behind American ones in innovation and energy. Whereas Germany was a world center for training in medicine, chemistry, and physics before World War II, it is now to Cal Tech, Harvard, or Stanford that Germans, indeed all Europeans, flock.

OLD FOLKS AT HOME

THE HARDEST TEST of all for the German social welfare state is its clash with demography. Germany, like other West European nations, is an aging country. As the *Frankfurter Allgemeine Zeitung* recently noted, in 1980 every fifth German was over 60 years old; in the year 2000 every fourth German will belong to this age group; by 2030 the figure will be 37 percent. By 2030, Germans over the age of 65 will outnumber their younger countrymen by a 10-to-6 ratio. Because Germany, like the United States, has a "pay as you go" system for publicly funding retirement, it will feel the budget shocks of this social change directly; there is no cushion for the debt the working population will accrue when German baby boomers retire.

The statistics for eastern Germany yield a troubling portrait. American demographer Nicholas Eberstadt recently looked at fertility numbers for eastern Germany since the initial reunification shock

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of 1989-90. Before 1989, births ranged between 215,000 and 246,000 annually; afterwards patterns changed, and the rate fell by more than 45 percent. In the first five months of 1993, the total number of births was down by 60 percent from 1989. Marriage rates fell by 62 percent between 1989 and 1992. "Whereas eastern Germany's marriage rate had been consistently higher than western Germany's during the 1980s," writes Eberstadt, "by 1992 it was less than half as high." One would suppose that, in a better financial climate, eastern Germans would be just as willing to marry and have children, writes Eberstadt, but they "are not behaving like a population whose living standards have been significantly increased." The generations of eastern Germans older than 30, in particular, often referred to as "the lost generations," are a troubled group—they will continue to face adjustment long after the numbers start to show successful economic integration. Without younger breadwinners to pay their pensions, they face an even harder future.

THOSE WERE THE DAYS

WHAT IS DIFFERENT about Germany's problems today that makes them worse than other problems of the postwar period? Under the same system, with the same social commitment, Germany outperformed the vast majority of OECD countries from the 1950s to the 1970s. The simplest answer is the strength of the German currency—a devaluation of the currency toward something closer to DM 2 to the dollar would do much to help German competitiveness. A more fundamental challenge is globalization—East European and Asian competition drives Germany as never before.

Another difference, though, is complacency. To battle the devastation left by World War II, Germans in the 1940s and 1950s relied on individual resources. "We can't do magic, but we can work," read a conservative party poster from 1949, and a high regard for that work ethic was shared by citizens of all political backgrounds. Today, the willingness to sacrifice is absent among all citizens of the Federal Republic, old and new. Following the war, the Federal Republic's national fathers, Konrad Adenauer and Ludwig Erhard, started Ger-

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many off with a free-market program. Erhard and the Allies who backed him lifted price controls; Erhard also cut back regulation and sought to lower taxes. The freedom provided West Germans with the energy to work their economic miracle.

Only after the miracle was launched did German political leaders, conservative and liberal, write many aspects of the current social welfare regime into law. This German tradition of "work, then redistribute" is one many Germans now recall wistfully. Following the collapse of the Berlin Wall, eastern Germans could be seen on the streets of Berlin carrying reprints of Erhard's famous book on economic policy, *Prosperity for All*. It is a contemporary irony that the Erhard model has taken hold more successfully in some parts of Eastern Europe than in Germany.

In a few decades, there may not be enough young breadwinners to support the pensions of baby boomers.

The easiest, and most obvious, cure for Germany would be a change in political direction. The recent success of *The End of Individualism*, a plea by two German think tank authors for a return to a society with more American-style self-reliance, is indicative. Along these lines, the Kohl government this year is already campaigning hard on a platform of reducing social benefits. In now-famous remarks, the chancellor told fellow citizens that Germany cannot continue on the current path toward becoming a "national amusement park."

Throughout Western Europe there are similar signs of such recognition: at the end of May the European Union finance ministers pushed the European Community to shift its emphasis from job preservation and creation to deregulation that could free up supply. Labor market deregulation won endorsement from the International Monetary Fund in April.

For Germany, though, the answer is not likely to be a simple "Erhardization" of Helmut Kohl, or even his "Thatcherization." Such a program might do nothing more than convert Germany, a country whose poor are unemployed, into an America, a country in which many of the employed are still poor. The German change is likely to be a generational change, in which younger Germans, along with

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other younger Europeans, reassess Europe's ossifying position on the global map. Italy's radical political purges foreshadow other such near-revolutionary shifts in all the gerontocracies of Western Europe, including Germany.

The degree to which Germany remains a true economic *Grossmacht*, a big power, will depend on the degree to which it turns onto a new path. The idyll of the tame Federal Republic seems to be gradually ending in any case, something even Germans inclined more to the lyrical than the economic have predicted. "Anything in the world can be endured," wrote Goethe in 1815, "except a succession of prosperous days."

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Reviews

THE BETTMANN ARCHIVE

Who's got the last laugh now?

"Prime Minister Yoshida calculated that a U.S. security alliance would allow Japan to concentrate on economic growth."

The Past in Japan's Future *Michael M. Mochizuki* 126

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Review Essay

The Past in Japan's Future

Will the Japanese Change?

Michael M. Mochizuki

Looking at the Sun: The Rise of the New East Asian Economic and Political System. BY JAMES FALLOWS. New York: Pantheon, 1994, 544 pp. $25.00.
"Rich Nation, Strong Army": National Security and the Technological Transformation of Japan. BY RICHARD J. SAMUELS. Ithaca: Cornell University Press, 1994, 552 pp. $35.00.
Japan in Peace and War. BY JOHN W. DOWER. New York: New Press, 1994, 288 pp. $25.00.

In a world fraught with geopolitical uncertainty, Japan is clumsily searching for a new political order. At the same time, it is trying to extract itself from a deep structural recession. Will these challenges produce a new political economy that gives greater weight to consumer interests, or will they merely reinforce Japan's old mercantilism? Will Japan become a "normal" country and develop a military commensurate with its economic power, or will it continue to assert itself primarily through nonmilitary means? Will Japanese foreign policy continue deferring to the United States, or will Tokyo finally assert its leadership in East Asia?

These three books help readers better understand and anticipate the playing out of this saga. James Fallows spices a well-written synthesis of academic writings with perceptive personal observations and anecdotes based on his extensive travels in East Asia. Richard Samuels provides a masterful study of the Japanese arms and aircraft industries, analyzing the interrelationship between military and civilian technology since the mid-nineteenth century. Finally, John Dower's volume offers trenchant essays on the legacies of the Pacific War and the American occupation. In addition to traditional diplo-

MICHAEL M. MOCHIZUKI is Co-Director of RAND's Center for Asia-Pacific Policy and Associate Professor at the University of Southern California.

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matic and political history, it contains fascinating studies of wartime cinema, "atomic-bomb art," and racial stereotypes.

The strength of all three books is a framework built on three important historical themes—the Meiji Restoration, the Pacific War, and the U.S. occupation of Japan. These are the historical moments that have shaped much of modern Japan, and they are critical to any serious thinking about Japan's ability to confront the challenges spread before it today.

KEEPING UP WITH THE WEST

The Meiji era laid the foundations of modern Japan, and so provides the first common thread for all three authors. After Commodore Matthew Perry forced Japan to open after 1853, a new oligarchy emerged to mobilize its people in an exploitative effort to "catch up" with the West and avoid external subjugation. The Meiji system provided an "organizing ethic," as Fallows calls it, in which national loyalty subsumed any debate about grand political goals. The Japanese people became subjects, not citizens. Workers and consumers got an artificially small portion of the national wealth, while industry's share was inflated. This ethic, Fallows writes, "intensified a sense of separateness, rivalry, and victimization relative to Western powers, and of deserved supremacy relative to other nations in Asia."

Part of the system's legacy was what Samuels calls "technonational" ideology—that is, the Japanese belief that technology is fundamental to national security. What makes Japan tick, then, is a deep sense of insecurity. Since the Meiji Restoration, if not before, the Japanese have been asked to make sacrifices to overcome the nation's special vulnerabilities. Politics tends to be bounded within this ideological consensus and concerns itself primarily with struggles and bargains among an extraordinarily stable and self-sustaining bureaucratic, business, and political elite.

In Samuels' analysis, this "cult of vulnerability" caused Japan to continue striving to catch up with the West even after it had already become one of the world's leading technological powers. Both he and Fallows recognize that this emphasis on state-guided industrialization and technological autonomy is not necessarily unique to Japan; much of Japanese mercantilism has Western intellectual roots. What is exceptional, according to Samuels, is the emergence of an enduring, coherent set of beliefs that guide, or at least justify, this course.

Notwithstanding the dramatic changes that have taken place in Japan since the end of the nineteenth century, both Fallows and Samuels are correct in emphasizing the ethical and ideological continuity since the Meiji era. In their search for a national identity and international role in the post-Cold War world, the Japanese have indeed turned to popular histories about this period for guidance.

THE 'USEFUL WAR'

The Pacific War provides a second key factor that fashioned Japan's current system of state economic guidance. In fact, Dower refers to the conflict as the "useful war" since it consolidated Japan's policy of economic mobilization on behalf of national goals. During the war, Japan experienced a "second industrial revolution." Capital and the banking structure

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were consolidated. Small- and medium-sized enterprises were integrated into subcontracting networks centered around large industrial conglomerates. And the industrial work force was stabilized through prohibitions on unauthorized job changes and a seniority-based wage system. Japan's postwar economic dynamism, in Dower's view, is an extension of its wartime mobilization.

Samuels, too, stresses the positive aspects of Japan's military technonationalism. The nation stimulated its industrial growth. It gained institutions and practices for developing and diffusing national technologies. And it laid the foundations of Japan's current commercial technonationalism. The only seeming tragedy was that after World War I militarists hijacked that system and drove it toward the wrong end.

This reading of history is troubling, however. Samuels fails to explain why the Japanese state was so vulnerable to fanatical military officers. He overlooks the fact that the close links between the commanding heights of Japanese industry and the military helped make politicians unable or unwilling to redirect the economy in more benign ways. The boundaries that the Meiji system had placed on meaningful political discourse precluded development of an effective mechanism to rein in the militarists once Japan started down its disastrous expansionist course.

Consequently, the reverse side of Japan's transwar continuity is a widespread aversion to the military. The war years dissipated popular devotion to the "national polity." Dower, for example, reminds readers that the war exposed clear limits to national unity and purpose. Japan's ineffective atomic bomb research underscored military factionalism and the state's inability to mobilize its leading scientists. Government officials grew paranoid of leftist revolutionaries and disruptive social movements. And despite state efforts at labor mobilization, absenteeism spread as workers became increasingly exhausted, defeatist, and antigovernment. The shattering of private lives thus made the Japanese people especially receptive to pacifism.

Focusing on the "useful" features of military technonationalism and war overlooks the sharp critique of the "absolutist" state articulated by the Japanese themselves after 1945. They provided the intellectual underpinnings of the progressive opposition that challenged the elites who led their country into a devastating conflict. Although that opposition was eventually overpowered by conservative leaders who pursued industrial development with single-minded determination, it did restrain Japanese rearmament and prevent a wholesale dismantling of postwar democratic reforms. Western criticism of Japanese mercantilism too often highlights neoconservative arguments about the virtues of deregulation and free markets. But what may be more necessary in the future is a renewal of the social democratic tradition that is rooted in a condemnation of Japan's imperial past.

TURNING OCCUPATION INTO VICTORY

The third theme is the impact of the American occupation and the nature of U.S.-Japanese relations. The discontinuities between prewar and postwar Japan are obvious: a new constitution enshrining popular sovereignty and a guarantee of

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civil rights, a repudiation of war, the shift from military to civilian technonationalism, land reform, and the rise of a vigorous political left and labor movement.

What is more striking, however, are the continuities. The Dower volume shows how America's Cold War policy in Asia helped restore the power of Japan's old guard. The key figure in this story is Yoshida Shigeru, the career diplomat who became Japan's most influential postwar prime minister. He calculated in sober realpolitik terms that an alliance with the United States would give Japan the military security it needed to concentrate on economic reconstruction and growth. But, Dower notes, Yoshida was no liberal democrat. He was disdainful of parliamentary and electoral politics, and he welcomed America's "reverse course" policies, which weakened and divided the political left and labor movement.

Yoshida's critics have charged that his diplomatic stance prevented Japan from becoming a truly sovereign nation even after the U.S. occupation ended in 1952. Fallows sympathetically describes the quest of Japanese revisionists to overturn the so-called Yoshida doctrine by revising the postwar constitution and putting Japan on a more equal footing with the United States. In this analysis, Fallows does not consider Japan a "real country" because its foreign policy has merely followed the American lead, except to drag its feet when Japan's economic interests have been at stake.

What Fallows fails to capture is the subtle shift in Japanese national strategy that took place in the late 1950s. Many Japanese revisionists recognized that the only way to increase Japan's strategic influence was to work with Washington, not against it, and to use American pressure for a larger Japanese security role to promote Japan's own rearmament. Likewise, Ozawa Ichiro, the key protagonist in Japan's current political realignment, is now using similar American expectations about greater Japanese contributions to international security on behalf of his goal to transform Japan into a "normal country."

Fallows' argument that "big issues" get ignored in Japanese politics misses a key feature of Japan during the Cold War. It was precisely because of the wide interparty divide over the very big issue of defense policy that Japan became so passive. Liberal Democrats embraced the security alliance with the United States and moderate rearmament through the Self-Defense Forces. The Socialists, on the other hand, insisted on a policy of unarmed neutrality and generally refused to side with the United States or even to accept the reality of the Cold War. Over time, this stubborn stance led to the left's political marginalization. But insofar as the Socialists saw themselves as the guardians of postwar democracy and pacifism, the government was caught in an ideological stalemate that made it unable to pursue an active foreign policy.

Japanese mercantilism, too, was conditioned on the Cold War order promoted by the United States. Both Japan's commitment to the American security system and its success as an economic model for the rest of Asia were vital to the U.S. containment strategy. The United States therefore not only provided for Japan's security but also provided wide access to American markets and technology while tolerating Japanese protectionism and

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technonationalism. In short, Japan's transwar political and economic system depended on a pax Americana. Yoshida's prudent realpolitik and the mobilizing imperative of "renovationist bureaucrats" thus melded in a truly comprehensive Japanese security strategy.

Samuels brilliantly dissects the operational details of that strategy. The Japanese adroitly converted their arms production to supply the U.S. military. American military procurements not only helped revive Japan's defense industrial sector but also laid the groundwork for technological advances in the civilian sector. Yoshida's decision to check the growth of his nation's "military-industrial complex" gave Japan the best of all possible worlds. While gaining access to American technology and production techniques, Japan averted the inevitable economic distortions caused by an overbearing military.

The free flow of technology across the civilian and military sectors—via what Samuels calls "technology highways"—enabled Japan not only to spin-off military technologies for commercial purposes but also to develop robust commercial technologies to "spin on" to the defense sector. By contrast, the U.S. preoccupation with the Soviet threat caused it to establish roadblocks between the military and civilian sectors. Over time, this practice put the United States at a disadvantage, causing military technologies to "spin away" without reaping commercial benefits.

CAN JAPAN CHANGE ITS SPOTS?

Can Japan's unusual system endure? Each of these books makes passing reference to Japan's future, but none contains an extended analysis of Japan's current political realignment. On the political-military front, Dower predicts a constitutional revision that will focus on changing Article 9 to permit the "dispatch of fighting forces abroad under United Nations auspices." In fact, the end of the Cold War, the Persian Gulf War, and the North Korean nuclear program have already had the cumulative effect of steering Japan toward a reassessment of security policy. Japanese policy experts now openly debate the pros and cons of reinterpreting the constitution, and public opinion polls indicate a majority are receptive to the idea as well.

By joining forces with the Liberal Democratic Party and the New Harbinger Party to form a dovish coalition, the Social Democrats have finally acknowledged the constitutionality of the Self-Defense Forces. This shift does not necessarily mean that Japan will aspire to great power status in the traditional sense. It does, however, mean that the details of security policy will be publicly discussed in a less ideologically polarized context and that the Japanese electorate will be able to choose between viable alternatives. These developments still may not satisfy Fallows' criteria for a "real country," but they are politically healthy.

Japan's economic future is less clear. Fallows asks, but does not directly answer, whether an elected government can tame bureaucratic rule and whether electoral reform will yield a more consumer-oriented democracy. Given his pervasive theme of historical continuity, Fallows no doubt believes that the obstacles are formidable, if not insurmountable. Samuels, too, seems skeptical about fundamental change in Japan. Any change in policy or institu-

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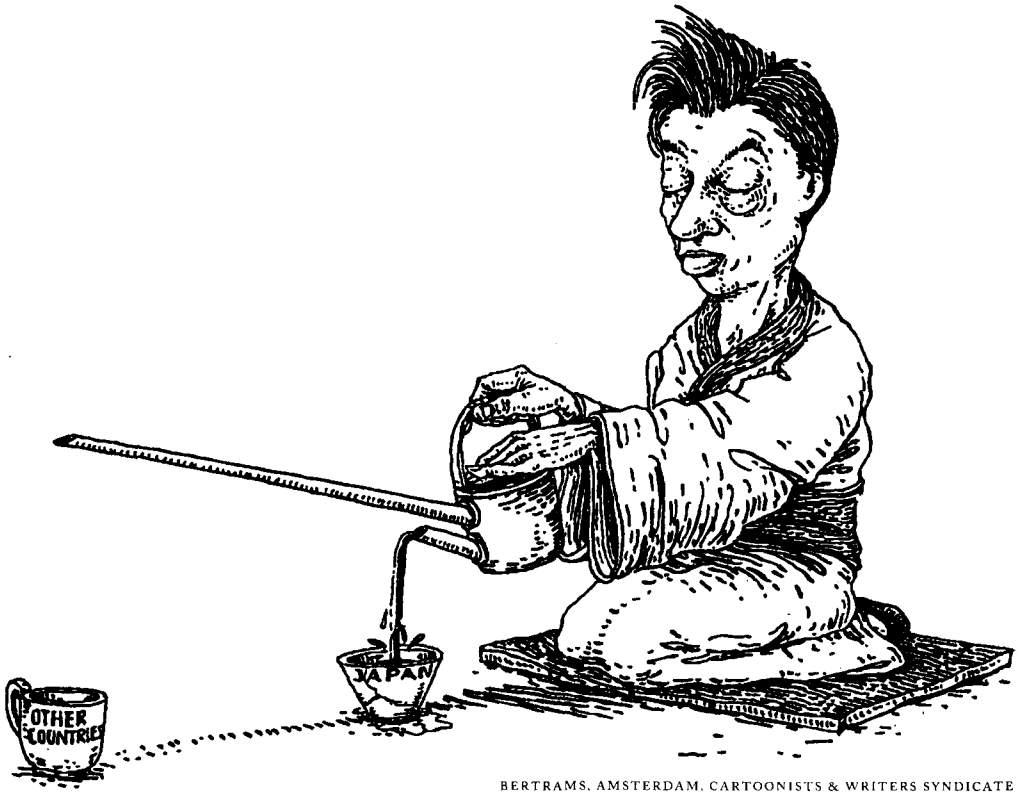

BERTRAMS, AMSTERDAM, CARTOONISTS & WRITERS SYNDICATE

tions is likely to occur within the boundaries of technonationalism. For the foreseeable future, both authors are probably right. The current period of political fluidity is likely to strengthen, not weaken, bureaucratic power.

Observers who believe that Japan is undergoing a historic transformation refer to the economic pressures of yen appreciation, the aging population, the breakdown of lifetime employment, growing consumer interests, and increasing bureaucratic support for deregulation to improve efficiency. Those factors will certainly weaken the state's ability to shape industrial policy. Indeed, the instruments of industrial policy have been declining since their heyday in the transwar period. But those developments will not weaken Japan as an economic competitor. If anything, they are likely to make it a more effective capitalist system. Relaxing regulatory measures will help weed out inefficient enterprises while providing opportunities for new ones. Those developments, moreover, are unlikely to dramatically open Japan to foreign businesses. Preferential trade and investment practices among Japanese firms will persist. Japanese companies will continue to mediate a large portion of imports to dampen economic and social dislocation. Japanese bureaucrats will continue to view technology as a long-term strategic asset. Technonationalism will survive.

JAPAN AS MODEL AND MENACE

More complex is Japan's relationship with East Asia. Technonationalism has become the model of development and the foundation of an East Asian economic system. Fallows identifies a num-

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ber of features of the Japanese model: a one-party political structure; the ability of technocrats to pursue economic policies free from political interference; the use of markets as a tool for industrial development while avoiding excessive competition; the mobilization of nationalism on behalf of economic development; the emphasis on the collective good rather than individual rights; a social bargain that favors producers and thereby preserves the social fabric; a stress on personal savings over consumption; and an educational system geared to making even the "worst-trained students competent."

Fallows sees Japan as the center of the Asian system. By controlling access to capital, intermediate goods, and technology, Japan has shaped East Asian development. It has constructed a hierarchical division of labor whereby Japan maintains the lead in the most high-tech aspects of production. While promoting interindustry trade with its Asian partners, it has discouraged intraindustry trade. In addition to its mammoth trade surplus with the United States, Japan has sizable trade surpluses with just about every East Asian economy except for China and Indonesia. The Japanese export of manufacturing equipment and intermediate goods in East Asia has in turn strengthened the export drive of those nations to the United States. America's role in the region has been as a military counterweight, a mecca for higher education, and the chief absorber of East Asian excess production.

While this system currently works for regional prosperity, East Asia's long-term stability looks more troubling. Dower's analysis of Japanese perceptions of "self and other" hints at the potential problems ahead. In the 1930s, Japanese notions of racial purity (and superiority) made its vision of a pan-Asian coprosperity sphere a sham. To the extent that those notions survive, East Asian countries will be loath to follow Japan's lead, even as they depend on Japanese investment, aid, and technology. Moreover, regional economic integration inevitably means migration. The influx of non-Japanese Asians into Japan at a time when it is undergoing a structural economic adjustment could provoke a new xenophobic reaction.

Paradoxically, even in a global economy, Samuels still advocates technonationalism, arguing that nationality and national systems of innovation matter. He is optimistic that technonationalists can cooperate as well as compete. But technonationalism, especially its military-led variety, has dangerous potential if it spreads throughout East Asia. In many respects Chinese leaders, in their pursuit of a comprehensive security strategy, have already embraced the powerful slogan, "rich nation, strong army," just as Japan's Meiji oligarchs did in a previous century. This trend raises disturbing questions for the future. Will it be possible to manage the rise of China as a technonationalistic power and avoid another Pacific War? To the extent that technology is power, how will the United States adjust to what Chalmers Johnson has called the inevitable "empowerment of Asia"?

TURNING JAPANESE

What kind of policy should the United States pursue toward Japan? Japanese cooperation, says Fallows, is predicated on America's economic and military pre-

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eminence. Rather than trying to remake Japan in America's own image, Fallows stresses the importance of American revitalization. To this end, he favors adopting many features of the Japanese system, including a better education system, greater incentives to save, and self-conscious and deliberate industrial strategies. Rather than lecturing the Japanese about trade, the United States should pursue "specific, practical-minded arrangements."

Samuels similarly opposes condemning Japan for technonationalism. He calls on the United States to recognize the interdependence of its own military and commercial economies and to consolidate a "single industrial technology base." While recognizing the logic of these proposals, Dower understands that it would be just as difficult to remake the United States in Japan's image as it would be to transform Japan. An effective "results oriented" trade policy and real tapping of Japan's technological base will require Washington's far greater use of American expertise on Japan. It also demands an accurate identification of the internal pressures (*naiatsu*) for economic liberalization with which Washington can coordinate its efforts to improve market access. At the same time, the United States must reinvigorate its economic investment in East Asia. This is the most effective way not only to increase American exports to the region but also to improve access to the Japanese market.

While reaffirming the value of the bilateral security alliance, the United States needs to define an appropriate division of labor. As Japan reassesses its security policy, U.S. expectations—whether actual or perceived—will be critical in that debate. The United States and Japan should cooperate immediately with the Republic of Korea to deal with the potential for rapid regime change (or even collapse) in North Korea and the construction of a stable security order after possible Korean reunification.

In the long term, the most critical task will be managing the rise of China. The United States has a vital interest in preventing the rise of a regional hegemon that will restrict American access to East Asia and use the region's economic capabilities to challenge U.S. power. Any effort by China to reestablish some kind of Sinocentric order will certainly meet resistance not only from Japan but also from Korea and the Southeast Asian nations. But the notion that geopolitical rivalry between China and Japan will enhance America's regional leverage is misguided. Such competition risks a spiraling arms race and military miscalculations. The resulting instability in East Asia would reduce U.S. economic opportunities and increase the need for American military intervention.

What is necessary is a two-pronged strategy. First, while maintaining a U.S. military presence in East Asia, Washington and Tokyo must take the lead in developing security institutions in both Northeast and Southeast Asia to promote "mutual reassurance measures," military transparency, and norms for resolving disputes by peaceful means. Although these initiatives should welcome the active involvement of all relevant states, they should not be retarded by the resistance of China or any other country. An uncooperative China would then face the prospect of a region-wide

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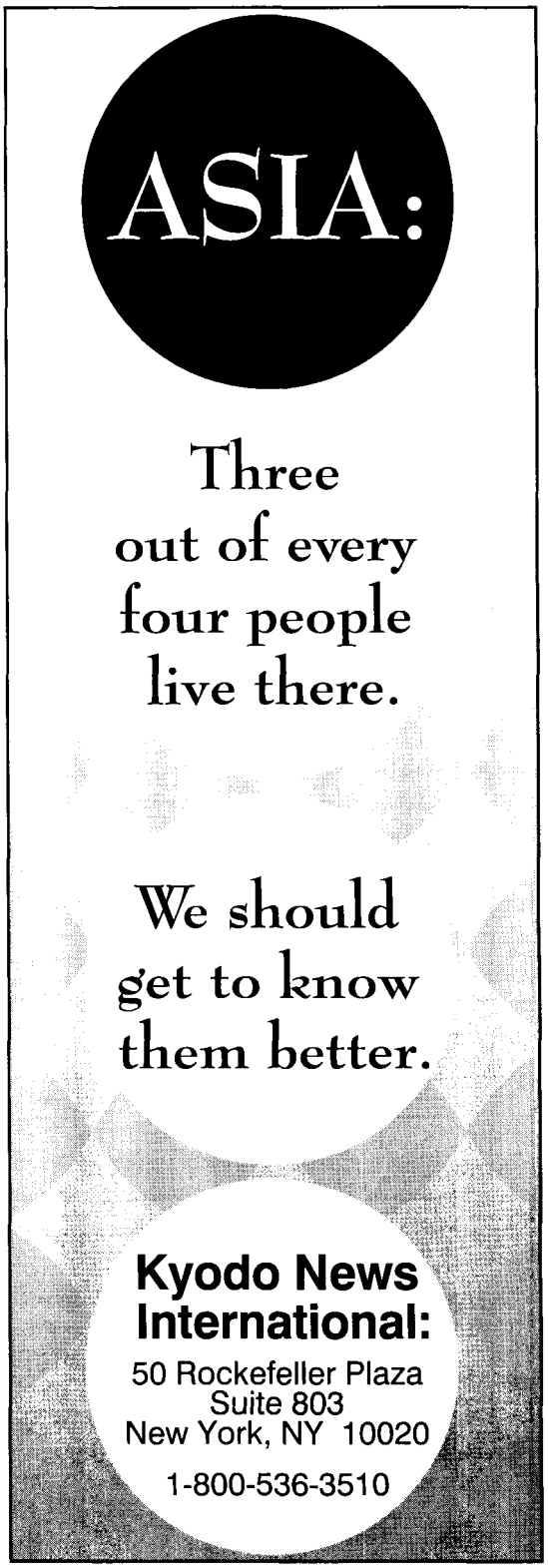
network to counter its aggressive behavior. Second, the United States and Japan should engage China directly on a variety of issues ranging from military deployments and exchanges to economic relations and human rights. The aim here would be to reassure China that institution-building is not designed to contain or isolate China but rather to make China a key partner in a regional community based on shared norms of national conduct.

These policies will require finesse and close coordination between Tokyo and Washington. Bilateral differences about the specifics of China policy will be inevitable. But the United States and Japan must not tempt China into playing the two allies off each other to maximize its own interests.

The Japanese are increasingly anxious about the uncertainties associated with multipolarity after the collapse of the Soviet Union. The maintenance of the U.S.-Japan security alliance, while critical, is no longer sufficient for reassuring Japan. Building regional security institutions will be indispensable for encouraging a more relaxed Japanese attitude about security and mitigating regional concerns about possible Japanese remilitarization.



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Review Essay

China Under Deng

A Great Leap Forward?

Ross Terrill

China Wakes. BY NICHOLAS D. KRISTOF AND SHERYL WUDUNN. New York: Times Books, 1994, 408 pp. $25.00.

Recently, on the Bund in Shanghai, I gazed at a bronze statue of Mao Zedong's foreign minister, Chen Yi, and thought of a courageous remark he uttered at the height of the Cultural Revolution in 1967. "Marx came from Germany," Chen said as Mao-worshipping Red Guards assailed him at the foreign ministry. "A Kautsky and a Bernstein were produced there to modify him. Lenin came from the Soviet Union; a Khrushchev appeared there. Chairman Mao belongs to our country; there may also be someone to modify him—wait and see."

We waited, and we have seen. Mao has been modified by Deng Xiaoping. Shanghai in appearance has ceased to be a city of the Mao era (clothing of one style, political slogans on every wall) and become a city of the Deng era (advertisements everywhere, traffic jams, the dust and hammering of construction). Has Deng buried only Mao, or Marx and Lenin too?

CHINA ON OUR MINDS

New York Times reporters Nicholas D. Kristof and Sheryl WuDunn spent 1988-1993 in Beijing, and for their coverage of the Tiananmen crisis became the first married couple to win a Pulitzer Prize for journalism. Now their book of reportage, memories, and reflections captures the late Deng era, in which Tiananmen was digested—by Chinese and foreigners alike—and "economic boom" became the new code word for China.

America's scrutinizing of China during the century and a half since the Yankee clipper ships began calling at Canton has thrown to the fore few journalists as cool and professional as WuDunn and Kristof. Every page of *China Wakes* is

ROSS TERRILL has written extensively on China. His most recent books are *China in Our Time,* and the biography, *Mao.*

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trenchant, and I cannot think of a reportorial book on China so zealous in investigation and so painstaking in probing issues from every angle.

Reading this book reminds one of how China and the image of China in America have changed in one generation. In 1964, when I first visited Beijing, about 500 foreigners lived there and only one foreign airline, Aeroflot, flew into the capital. No American diplomat, businessman, student, or newspaperman resided in Beijing. Politics suffused every realm of life, and economic development was not seen as its own justification. The assassination of President John F. Kennedy was still being celebrated with photos at bus stops of Chinese children cheering at the fall of an evil man. Kristof and WuDunn have no evident memory of this period when the United States and China often were on the brink of war. "Until the mid-1980s," Kristof writes, "China was no threat to anybody because its armed forces were so miserable." These are clearly not the words of someone who lived through the Korean War, the India-China fight of 1962, or the various Taiwan Straits clashes.

The 1970s were calmer than the 1960s, but four filters stood between China and the American public. *Exoticism:* we had not begun to see the universals that lie within Chinese particularities. Too many things in China were hailed as unique because we could not probe them from every angle. *Ideology:* the categories of discussion were shaped by Maoism. Many terms used by American journalists had little meaning apart from the agenda of the Chinese Communist Party: "Gang of Four," "three worlds," "serve the people," "capitalist roader." *Propaganda:* the voices of official China were the overwhelming source for reporting in the Mao years. The China reality was more or less what Mao and Zhou Enlai said it was. And finally, *realpolitik:* it was Washington's cultivation of Beijing as a counterweight to Moscow, not the arguments of China watchers, that led to a favorable portrait of Mao's China in the American press in the early 1970s.

This arms-length writing gave way by the late 1970s to books and reporting by resident correspondents that reflected a human engagement with the Chinese. Sports news from China began to appear on the sports page, health news from China in the medical journals. By the time of Fox Butterfield's *Alive in the Bitter Sea* and Richard Bernstein's *From the Center of the Earth*, both published in 1982, the abstractions of "threat" and "exotic" dissolved into an uneven array of specifics. China as what Mao and Zhou said it was gave way to China as a market for Boeing aircraft, a balance against Moscow, a laboratory of human stoicism and ingenuity, a represser of Tibet, and a tourist destination offering the electrifying terra cotta soldiers of Qin Shihuang's tomb at Xian.

Kristof and WuDunn did not find China exotic in any way. Making Chinese friends, they bridged that gap between a self-conscious West and a self-conscious China that gave rise to the idea of exoticism. Ideology scarcely makes an appearance in their book. In China they "went native," helped by the fact that WuDunn is ethnically Chinese. They had contempt for the American

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embassy, found diplomatic parties fruitless, and nearly always had the option of unofficial sources. During their posting in Beijing, China was neither America's adversary (as in the 1950s and 1960s) nor its quasi-ally (as in the 1970s). Only for a period after the Tiananmen disaster was their reporting affected by the flux of international affairs. Mostly they were free to look at Chinese society with a steady eye.

Candid and subjective, humanists in the style of their generation, Kristof and WuDunn struggle to be fair, worry about global warming, bring their baby son into the book, and care more for families and friendships than for politics and history. Here is no Agnes Smedley, pen in one hand and sulfur drugs for wounded Chinese soldiers in the other, or Edgar Snow, with his arm around Mao's shoulder and his mind scarred by Oswald Spengler's *Decline of the West.*

China Wakes is removed, not just from Snow and Smedley, but also from Butterfield and Bernstein, both of whom studied China in graduate school, vexing over Vietnam, the "Taiwan problem," and the thoughts of Mao. Kristof's Asian interests at Harvard were "limited to excursions with friends to a bar called the "Hong Kong." He and WuDunn did not set foot in China until 1987 and came to Beijing without baggage from the field of China studies or the feuds over China policy of the 1960s. China bubbled at their feet; they took it as they found it. They were not haunted by hidden meanings. Reading *China Wakes*, we realize China is being treated as a normal nation. The book could be titled *Beyond a Pathology of China.*

DENG'S WORLD

China Wakes is a deeply ambivalent book. The authors' grim experiences of repression, especially following the Tiananmen disaster, jostle against their palpable excitement that China is taking off to prosperity—even to freedom—as Taiwan did before it. Kristof catches the illogical but hopeful spirit of the age by calling the Deng system "Market Leninism." Writing in alternating "he" and "she" chapters, the couple depict an economy jumping through the roof and a politics sunk in Stalinism. They see a system of rule by men and not by law, where the petty thieves are punished while the big crooks run the country. They observe the shriveling of Marxist faith, leaving "about as many believing communists in China as there are Zoroastrians in the West." Filling the vacuum are religion, money-making, *qi gong* (the Daoist art of breathing and concentration), and a superstitious cult of Mao. "Maybe I'm not a believer," a travel agent at worship in a Catholic church tells WuDunn. "But this is Western culture, and I want to learn more about it. This is a very famous religion."

We read of eye-opening talk radio and a new literature of nihilism, which does not so much criticize the Chinese Communist Party as laugh at it—like the novel *Fei Du* (Wasted Capital), in which the main character sucks milk from a cow and a young woman dies from masturbating with corn cobs. We hear of the spreading cancer of corruption in which graft has turned into Mafia-style organized crime. (It is revealing of the Deng era that intellectuals do not bulk large in this book. We more often hear something interest-

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ing from a businessman or the son of a high official than from a professor.)

It would appear that Kristof (especially) and WuDunn have bought the Deng view of the reform era, as if only in 1978, when Deng edged out Mao's chosen successor, Hua Guofeng, did the globe begin to spin. They make a burlesque of the Mao era and subsume the Cultural Revolution of 1966-69 into the broader category of the late Mao years. These distortions are worth noting because they carry a warning about China-watching in the future. Involved is a mental process originating with the Beijing government—blacken yesterday to brighten today—that has tarnished all who have spent years listening to the Chinese communists. Actually, China still serves up a Beijing Opera version of events, complete with heroes and villains. Campaigns no longer target ideology as in the 1960s and 1970s. But they continue to occur; witness the handling of the Asian Games in 1990 and the failed bid to secure the 2000 Olympics. In the new campaigns, the nationalistic interest of the Chinese state replaces Maoism as the campaign's raison d'être.

Kristof and WuDunn take potshots at Edgar Snow, Felix Greene, and others for past misjudgments about China, but some of Kristof's own observations may bring a smile to the faces of our grandchildren. "If China can hold its course," he writes, "it will produce the greatest economic miracle in recorded history." Do I hear an echo of the drumbeating that surrounded Mao's Great Leap Forward? Kristof concludes that the Chinese "live about as well as an American might live, in America, on $2,000 a year." If China did not have 1.2 billion people, no one would turn a hair at such a statistic. But Kristof's conclusion is grand: "Never before has such a large proportion of humanity risen from poverty so rapidly."

One trait of the current awe at China's economic boom, happily avoided in *China Wakes*, is a condescension to the Chinese and a supposition that a full belly and gadgets in the kitchen are all they desire. People do like to be free. There may not be a Chinese Solzhenitsyn, as Kristof and WuDunn point out, but a Chinese farmer knows what freedom is just as much as Kristof or WuDunn or I do. We should not underestimate the materialism of a people inured to scarcity and now unleashed. Nor should we underestimate the intelligence of a people who have spent thousands of years hiding their thoughts from lofty rulers.

Is China really "waking" in climactic fashion? Chinese intellectuals and American liberal reformers have announced such a dawn many times. But Deng's policies of the 1980s and 1990s have only dismantled Maoism; they have not set in place a new polity, public philosophy, or socioeconomic order.

BREAKDOWN OR CRACKDOWN?

China Wakes is a child of the American liberal vision of progress. "We had invested our souls in China," the authors confess. WuDunn says she went to Beijing searching not just for the "real China" but for her own identity. Kristof felt "betrayed" by the Tiananmen massacre, as American liberal reformers in China before him felt betrayed by decadent Mandarins, warlords, Chiang Kai-

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shek, and Japanese marauders. The pair avow that China has "a fighting chance to go the rest of the distance." To where?

If there is a core to *China Wakes*, it is a ping-pong-style debate on this issue with three plausible scenarios for the future: China as a second Soviet Union headed for breakdown, a "dynasty" ruled by an emperor and now exhibiting terminal decline, or a country in which a civil society is jelling and a new politics of pluralism will soon result. Kristof and WuDunn cling to the third hypothesis. They think business, decentralization, and technology will in the end achieve a political result that the Tiananmen democracy demonstrations of 1989 failed to do.

I am not so sure. The authors rightly call the People's Republic of China the "last great multiethnic transcontinental empire left in the world." The unity of China, historically often a myth, cannot be taken for granted as China undergoes socioeconomic change. If, as Lucian Pye has argued, a lack of competing interest groups facilitated Chinese unity, pluralism will imperil it. Various parts of the P.R.C.—including Tibet and the Moslem province of Xinjiang—are not happy under Beijing's rule. "We're like Kuwait," a trader in Kashgar lamented to Kristof of the subjugation of Xinjiang to Beijing. "We've been invaded, but no one will help us." In addition, the capitalist jewel of Hong Kong is due to be absorbed within the P.R.C. less than three years from now, and a further "province," Taiwan, is coveted by Beijing. We cannot say all this makes for stability. The emperors may be dead, but "imperial Beijing" is alive.

Contrary to widespread belief, only about 10 million to 12 million people are employed in private enterprise in China. Beijing is losing economic control, less to the capitalism of entrepreneurs than to local state capitalism. Traits associated with private enterprise—property rights, the rule of law, free prices, professional associations—do not necessarily come when local governments act as capitalists. Hence the push that economic freedom gives to political freedom will be muted in China.

I cannot agree with Kristof that China "at this moment is not a communist country." There is no great ideological barrier to a transition away from Communist Party rule in the countryside. But the central Leninist power apparatus, including the police, the organizational and informational grip of the Communist Party, and the paternalistic control of urban industry, cannot just wither away. Leninist rule does not make a habit of slipping away in the night, as if China could imperceptibly become one huge Shenzhen.

The replacement of authoritarianism by some form of (Chinese) democracy will require more than economic development. It will occur only when the sense of nation as a *jia*—a household with an undisputed boss and a single set of values—is buried. And only after individual autonomy strengthens and the exaggerated sense of China's uniqueness breaks down as today's youth become power-holders.

PEACEFUL EVOLUTION?

Kristof and WuDunn are refreshingly unself-conscious about the U.S. role in China's future. WuDunn in particular

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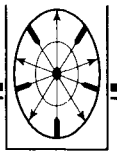
crisply separates herself from the American tradition of proprietary messianism toward China, and she wisely embraces "peaceful evolution" (Beijing's term for America's evil intentions) as an appealing principle for China and the United States to use in dealing with each other. A moral judgment of Deng's rule is not helpful to American policy; an assessment of whether "Market Leninism" can endure is crucial. The human rights issue is really about China's future, not America's muscle-bound moralism.

The human panorama offered in *China Wakes* does not directly intimate what U.S. policy toward China should be. Yet America's relations with China unavoidably will be shaped by the most basic question *China Wakes* discusses: Can Beijing's authoritarianism smoothly evolve into political pluralism? The sharp swings over the P.R.C.'s 45 years between apparent political calm and violent political ruptures have taught me a lesson about the false facade of stability of a communist state. The raucous way democracies air their problems can give the appearance of instability, but in reality that process makes for stability. Real instability lies in dictatorship's unaccountability, secrecy, and repression of opinion—for without freedom, political change can only come through bullet, coup, or dictator's whim. "The loudest thunder comes from dead silence," a Chinese communist leader once said. "We are not afraid of the masses speaking up. What we do fear is 'ten thousand horses standing mute.'" The words are Deng Xiaoping's. As the 90-year-old leader plays with his grandchildren, those horses stand mute in every province.



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FRANCIS FUKUYAMA

The Wages of Guilt: Memories of War in Germany and Japan. BY IAN BURUMA. New York: Farrar, Straus & Giroux, 1994, 330 pp. $25.00.

This absorbing and important book analyzes the ways that Germany and Japan have dealt with the question of guilt for their misdeeds in World War II. The bottom line is that the Germans have done a much better job at remembering and atoning, both among themselves and with their neighbors. Through interviews and analyses of film, fiction, poetry, and history, the author presents a rich account of changing German attitudes toward the war, from the philosemitism of the immediate postwar generation, to the aggressive denial of guilt by the post-1968 Left, to what the author believes is a better-balanced attitude among young Germans today. In Japan, by contrast, the most powerful memory of the war is Hiroshima, where the Japanese were more victims than victimizers, and respectable politicians and academics can still debate whether the Rape of Nanking was a genuine atrocity. While the absence of guilt in Japan may be overstated, the contrast with Germany is still striking.

With the United States moving toward isolationism, security in many of the world's hot spots will increasingly depend on new regional mechanisms, underwritten in part by the regions' most powerful players, Germany and Japan. But neither country can do this, much less assume a leadership role, until their neighbors are reassured that they can wield power responsibly. And this, in turn, depends on how well they have come to terms with their pasts, as manifested in mundane issues like treatment of the war in high school history textbooks. Buruma correctly suggests that the Germans have

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moved much further down this road. Japan may never fully face its past, he notes insightfully, until it is treated like an "adult" country, which would entail abandoning its dependent and unnatural security relationship with the United States.

Certain Trumpets: The Call of Leaders. BY GARRY WILLS. New York: Simon & Schuster, 1994, 336 pp. $23.00.

Sixteen vignettes of leaders from F.D.R., Ross Perot, and Martin Luther King, Jr., to King David and Socrates are contrasted with even briefer portraits of 16 "anti-types," figures who displayed qualities opposite those of a leader. The theme of this highly eclectic book is that the best leaders do not always decide on what is right in a principled way and then persuade others to follow through sheer force of personality. Rather, they also reflect and are shaped by the desires and actions of their followers in a kind of ongoing dialogue. All of the portraits are colorfully written, and many point to interesting and overlooked aspects of character, such as F.D.R.'s political inconsistency and his extraordinary efforts to hide his inability to walk. Others are rather conventional (Nancy Reagan does not hold up well next to Eleanor Roosevelt, nor Madonna to Martha Graham), and some downright bizarre (such as the choice of Andrew Young as an exemplar of diplomatic leadership). Still, this is a highly readable book, with frequent insights into greatness of character.

Thieves' World: The Threat of the New Global Network of Organized Crime. BY CLAIRE STERLING. New York: Simon & Schuster, 1994, 304 pp. $23.00.

The author has followed her earlier books on terrorist networks and the Mafia with a clear and accessible account of the growth of ostensibly new international alliances of criminal organizations. The end of the Cold War brought an opening of borders and a collapse of authority in the East, which created vast new opportunities for criminal activity. What is particularly troubling is the dramatic rise in organized crime in Europe, led by gangs from Russia and other former communist countries. In journalistic fashion, this book tends to report allegations a bit uncritically, such as DM 50 billion said to be invested in East Germany by the Mafia, or the corruption charges leveled against Yeltsin's associates by former Vice President Aleksandr Rutskoi and friends as part of the power struggle in Moscow. However, the book is crammed with fascinating facts and underscores how Europeans will have to square punctilious regard for individual rights with the need to fight some very tough criminals.

The Cold War: A History. BY MARTIN WALKER. New York: Henry Holt and Company, 1994, 392 pp. $30.00.

This book, written by the *The Guardian*'s U.S. bureau chief and veteran Moscow-watcher, is a solid and straightforward account of the Cold War, spanning from 1945 up through the fall of the Berlin Wall and the attempted Moscow coup in 1991. The later chapters on the post-Brezhnev years tend to be more interesting, since the author can draw on his considerable knowledge of Soviet and Russian sources. Yet this book by and large does not break new ground in terms of sources or interpretations, and steers a middle ground

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between orthodox and revisionist accounts of the origins of the Cold War. It would, however, be very useful as an overview in college courses. The author concludes, somberly, that the United States emerged from the Cold War a crippled power, exhausted by its misallocation of investment resources to defense. One is struck, reading this, how the issues of the Cold War, which once appeared so urgent, now seem so distant.

Tribes: How Race, Religion and Identity Determine Success in the New Global Economy. BY JOEL KOTKIN. New York: Random House, 1993, 343 pp. $12.00 (paper).

Through case studies of the Jews, Chinese, Japanese, Indians, "Anglo-Americans," and others, the author explores the ways that kinship, racial, and ethnic ties have created new international business networks. This book is a useful counterpoint to the currently fashionable despair about nationalism, and it examines a positive side of ethnicity, kinship, and religion. But the book's analysis is extremely confused, as when it assigns the rubric of "tribes" to Anglo-Americans as well as to groups like the overseas Chinese and Indians, who operate networks based on blood ties.

Genocide: Conceptual and Historical Dimensions. EDITED BY GEORGE J. ANDREOPOULOS. Philadelphia: University of Pennsylvania Press, 1994, 265 pp. $34.95.

This book brings together scholarly experts on this grim subject, one that has been made particularly timely by events in Bosnia and Rwanda. The first half is a discussion of the legal definition of genocide, with two authors arguing for a relatively narrow one based on the U.N. genocide convention and two others making the case for a broad definition. The second half provides case studies of the Armenian massacre, the Kurds, East Timor, and Cambodia, in which the authors carefully assess the characters of the crimes against international standards of genocide. The collection's emphasis on the legal dimensions of genocide is based on the belief or hope that the United Nations will be effective in enforcing the convention. From recent experience, it seems more likely that the international community will deal with genocide not legally, but prudentially, as it has in the past. This suggests the need not for a single legal category of genocide, but a graduated scale by which to measure abuses. Other interesting dimensions of genocide, such as whether it is latent in all societies or a product of modernity, are addressed only tangentially.

Problems and Process: International Law and How We Use It. BY ROSALYN HIGGINS. New York: Oxford University Press, 1994, 274 pp. $35.00.

This is a learned and serious introduction to international law by a recognized scholar in the field. While it deals with U.N. conflict resolution and human rights, the bulk of the book is a methodical account of the development of international law from its theoretical sources to its application to day-to-day issues like conflicts over natural resources.

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The Return of the Political. BY CHANTAL MOUFFE. New York: Verso, 1993, 156 pp. $18.95 (paper).

This philosophical work is a good illustration of the quandary that serious thinkers on the left have in coming to terms with the end of communism. The author admits that both socialism and social democracy have failed, but she is unable to accept an "essentialist" view of liberalism based on Enlightenment principles of universal individual rights. She is also quite aware of the communitarian critiques of liberal individualism, but is not willing to follow that line of thinking to its logical conclusion (in other words, that liberalism must return to a substantive conception of the common good, as embodied in various cultural traditions). Her solution is to borrow the German philosopher Carl Schmitt's concept of "the political," meaning irreducible contest over power: liberal democracy is simply an agreed framework under which there can be perpetual contest by out groups, who may have little else in common. While she is undoubtedly right that contemporary liberal individualism has somewhat reached a crisis, it seems doubtful that her preferred solution will do anything but promote liberalism's inherent atomizing tendencies.

A Future for Socialism. BY JOHN E. ROEMER. Cambridge: Harvard University Press, 1994, 178 pp. $29.95 (paper, $16.95).

This book, written by an economist, maps out a set of property relationships that will, according to the author, achieve the substantive egalitarian goals of socialism while avoiding central planning's efficiency-destroying tendencies. This rather quixotic work takes seriously the criticisms of neoclassical economics and tries to answer them through several concrete institutional arrangements. Whether anyone is willing to engage in the kind of social engineering needed to square this particular circle is at this point doubtful.

The New Ideology of Imperialism. BY FRANK FUREDI. Boulder: Pluto Press, 1994, 140 pp. $51.50 (paper, $17.00).

Despite its title, the bulk of this book is an impassioned attack on the old imperialism, particularly during the last decades of the British empire. The author argues that imperialist ideology has found a new guise, and it denigrates Third World nationalism as "tribalism," "warlordism," the "Islamic threat," "terrorism," and so on. The author seems to be stuck in a time warp. He ignores the genuine crisis of the nation-state in places such as sub-Saharan Africa as well as the self-confident nationalisms of Asian countries that are rapidly moving toward First World status. And he seems to assume that the "imperialist" West is, consistent with its moralizing, eager to reassert its power in troubled parts of the Third World. Nevertheless, this book does provide a refreshing counterpoint to silly Western nostrums that various malefactors in the Third World constitute the new enemy.

The War Puzzle. BY JOHN VASQUEZ. New York: Cambridge University Press, 1993, 378 pp. $54.95 (paper, $17.95).

This book purports to advance our theoretical understanding of the causes of war by drawing on a broader range of empirical evidence than previous works. Policies

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based on realism tend to lead to war, the author argues. But like realism, the author's argument views nation-states as disembodied actors devoid of history, culture, ideology, or politics (save for a generic distinction between "hard-liners" and "accommodationists"). The book illustrates how social science methodology can lead to results that manage to be both obvious and wrongheaded. For example, one major conclusion is that wars are fought chiefly between contiguous states over territory. How many states in history have been capable of fighting wars with other than contiguous states?

Economic, Social, and Environmental

RICHARD COOPER

Eco-Scam: The False Prophets of Ecological Apocalypse. BY RONALD BAILEY. New York: St. Martin's Press/Washington: Cato Institute, 1993, 228 pp. $19.95.

This short, lively book examines eight cases where scientists, pseudoscientists, promoters, and journalists have successfully alarmed the general public with scenarios of prospective or impending disaster caused by human action or, as they would have it, human folly. The book looks successively at movements focused on nuclear weapons, global starvation, depletion of critical resources, global cooling, runaway DNA, nuclear winter, ozone depletion, and, most recently, global warming.

The author relates forecasts of imminent doom in the absence of drastic changes in public policies—and, in some cases, in general life-style—to the predictions of apocalyptics and millenarians, who have existed for at least the last 2,000 years and continue to survive numerous failed predictions.

Although the subject matter is very different, the mobilization of public support usually evokes similar antiestablishment, antimodernist sentiments and surprisingly often involves the same organizations and people. The movements are not only private in origin, however. Bailey suggests that NASA in 1992 misled the public about depletion of northern hemisphere ozone in order to build support for its budget.

Although fellow journalists are implicated in these major public scares for their gullibility, Bailey is not as critical of their role as he might be.

Economic Transformation: The Mexican Way. BY PEDRO ASPE. Cambridge: The MIT Press, 1993, 280 pp. $22.50.

An elaboration of the Robbins Lectures at the London School of Economics, this book provides an admirable overview of recent Mexican economic policy by one of its major architects and policymakers, the minister of finance in the administration of President Carlos Salinas.

Mexico's transformation over the past decade is a remarkable story involving the reversal of the policies of half a century, especially with regard to international trade, foreign investment, private ownership of major enterprises, and

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detailed regulation of the economy, as well as a reversion to the historical pattern of fiscal conservatism, which had been abandoned in the 1970s and early 1980s. All is discussed here.

This effort demonstrates both the strengths and the weaknesses of writing by sitting ministers. It is well-informed, accurate, and comprehensive but offers a minimum of criticism, even of the actions by predecessor governments that led to the economic debacle of the early 1980s. And it contains no discussion, which policymakers are uniquely able to provide, of the internal debates over the substance and timing of the measures adopted. It gives the impression that there were no political dilemmas; on the contrary, the new measures are characterized as a natural evolution in the development of Mexico.

The book is noteworthy, however, for exposing the thought processes of a new kind of politician, the "technopol." The author holds a Ph.D. from MIT, is familiar with the current professional literature, has a good technical grasp of his material, and is comfortable thinking about "models" of the economy and the impact of institutional changes and new policies on the values of the technical coefficients in such models. Aspe represents a new breed of politician increasingly common in developing countries.

Freer Trade, Protected Environment: Balancing Trade Liberalization and Environmental Interests. BY C. FORD RUNGE AND OTHERS. New York: Council on Foreign Relations Press, 1994, 146 pp. $17.95 (paper).

Greening the GATT: Trade, Environment, and the Future. BY DANIEL C. ESTY. Washington: Institute for International Economics, 1994, 319 pp. $19.95 (paper).

One of the hot issues in post-Uruguay Round international trade policy, already an early agenda item for the new World Trade Organization, will be the relationship of trading rules to national environmental policy. There are a number of key questions to be addressed: Under what circumstances will it be acceptable for a country to ban otherwise acceptable imports on the grounds that they were not produced in an environmentally acceptable way? When may countries use import sanctions more generally against countries that engage in environmentally unacceptable practices, despite trade commitments made during earlier multilateral negotiations? Who exactly will determine what is "environmentally unacceptable"? Is it necessary or desirable to harmonize environmental regulations among countries so as to discourage relocation of economic activity on environmental grounds? These and many more specific questions will be on the international agenda and hence on the domestic political agenda of many countries. Moreover, if mishandled they have the capacity to become the major source of friction between developed and developing countries.

These books both represent excellent introductions to the subject. Esty's is the meatier and more radical (with respect to deviation from past practice) of the two books, but both examine issues that will be raised and discussed. Both review precedents and problems from

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international case law involving the intersection of trade and environmental issues. Both are sensitive to the possible misuse of legitimate environmental concerns for purposes of old-fashioned protection against import competition. Both make constructive suggestions about how to approach the issues, sometimes simple when properly stated, sometimes excruciatingly complex. And, what will please some readers but horrify others, both recommend creating a new international organization to provide a forum for negotiating environmental standards and resolving international environmental disputes.

Perpetuating Poverty: The World Bank, the IMF, and the Developing World. EDITED BY DOUG BANDOW AND IAN VÁSQUEZ. Washington: The Cato Institute, 1994, 362 pp. $25.95 (paper, $15.95).

This volume contains 16 chapters by nearly as many authors, devoted to demonstrating how misguided, and often positively harmful, multilateral assistance to developing countries has been, mainly because it has tended to reinforce the statist inclinations of the leaders of many developing countries.

Some essays are tendentious, dated, and highly misleading. But others are well documented and strike home in significant respects, such as the proclivity of the IMF toward secrecy far beyond the short-term confidentiality necessary for financial policymaking. Above all, they make the case for more frequent and more critical reviews of the objectives of the multilateral lending institutions and the effectiveness of their operations toward attaining those objectives.

Notwithstanding the title, the book also contains a harsh indictment of U.S. and European trade policies toward developing countries. Americans often complain about unfair trade practices abroad; here is documented, inter alia, the extreme unfairness of the application of U.S. antidumping laws, especially toward the transforming economies of Central and Eastern Europe.

Economic Transformation in Russia. EDITED BY ANDERS ÅSLUND. New York: St. Martin's Press, 1994, 190 pp. $39.95.

This book offers an authoritative interim report on the progress of and prospects for economic reform in Russia as of late 1993, after the dissolution of the 1990 parliament but before the December election of the new Duma. It contains 11 papers by 18 authors, including such key Russian policymakers as Fyodorov, Chubais, and Aven and foreign advisors such as Fischer, Sachs, Layard, and Åslund. It thus is largely an insiders' account, recording both the successes and the failures at economic reform during the first two years of the newly independent Russia as seen by the reformers, who had been buoyed by public support in the April 1993 referendum and had not yet experienced the setback of the December parliamentary election. The major successes included a genuine move to market economics in some sectors, including foreign exchange and most

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imported goods, and a bold start on privatization, which has continued. The major failure concerned macroeconomic stabilization, which the authors see within reach if appropriate fiscal and monetary policies are pursued. A similar judgment could be made today.

Military, Scientific, and Technological

ELIOT A. COHEN

New Challenges for Defense Planning: Rethinking How Much Is Enough. EDITED BY PAUL K. DAVIS. Santa Monica: RAND, 1994, 769 pp. $35.00 (paper, $20.00).

How Much is Enough? was the title of a belligerently self-congratulatory memoir by two top systems analysts in Robert McNamara's Pentagon. They, like so many of their colleagues then and successors since, hailed from RAND, the California think tank that proved a fecund incubator of strategic thinkers in the 1950s and early 1960s. Paul Davis, editor of this volume, has the unwieldy title of corporate research manager for RAND's defense and technology planning department—a job description that reflects, perhaps, the bureaucratization of RAND over the decades, and the routinization of the analysis it pioneered. Some two dozen chapters here cover a variety of subjects, from the principles of systems analysis to its applications in strategic, operational, and logistical planning. The quality varies, of course, but the chief interest of the book lies in what it reveals of the mentality of RAND, which shaped the Aspin Pentagon and carries no less weight there today. Contributors Fred Frostic and Christopher Bowie articulate clearly and convincingly the case for campaign analysis of the RAND type. Other analyses (for example, one of Poland's defense requirements) clank with mechanistically derived kill ratios and rates of advance. The RAND analysts have a distinctive and familiar voice: the clipped prose, the bulleted lists of considerations, the flow charts reducing political complexity to five boxes connected by arrows, and the authoritative-looking graphs of uncertain provenance showing the point at which aircraft killing 1.5 tanks per sortie destroy 65 percent of the enemy's armored vehicles and thereby satisfactorily conclude an imaginary war. In some cases the RAND style of analysis has worked well; in others it has not. The authors of the first *How Much is Enough?*, one recalls, took no responsibility for the calamity of Vietnam, a war their techniques never mastered and never could. An important book, but one to be taken more skeptically than its authors would wish.

Friendly Spies: How America's Allies Are Using Economic Espionage to Steal Our Secrets. BY PETER SCHWEIZER. New York: Atlantic Monthly Press, 1993, 342 pp. $22.00.

Economic espionage? It is impossible not to fall back on a version of that hackneyed line from the film *Casablanca*—"I am shocked, shocked to find that there is gambling going on here." Of course America's allies spy on its government, firms, and private citizens. The United States returns the compliment, although

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the federal government's legalistic punctilio about sharing such information with industry exceeds that of most if not all other countries. As in the case of all intelligence literature, one wonders how many of the details mustered by the author would hold up to scholarly inquiry. Furthermore, many of the stories here are old hat. And in some cases Schweizer's outrage seems rather forced, implying dastardliness in the perfectly normal (if unlovely) activities of governments scrounging for information. Even so, he has written an engrossing, sobering, and generally plausible book. Commercial espionage is big business, and that alone makes this book one of the most valuable works thus far on intelligence after the Cold War.

Encyclopedia of the American Military: Studies of the History, Traditions, Policies, Institutions, and Roles of the Armed Forces in War and Peace. Vols. I-III. EDITED BY JOHN E. JESSUP AND LOUISE B. KETZ. New York: Charles Scribner's Sons, 1994, 2,255 pp. $320.00.

This substantial and useful reference work falls into six parts—a thematic account of war and American history, a more analytic discussion of how the U.S. government has made military policy, a rather uneven survey of each of the armed services, capsule accounts of each major American war, and two overlapping sections, one on military arts and sciences and another on military practices. Fine bibliographies attached to each article and a useful 75-page timeline round out the work.

The encyclopedia reflects, if not quite the official view of American military history, something close to it. The editor-in-chief and his advisory board all come out of various official history programs, and the list of contributors reflects extensive participation by former and current government researchers. Given the solid professional standards of official military history in the United States, this does not hurt the quality of the product—indeed, some of the civilian academic contributions are notably weaker than the rest, though they need not have been. As in any encyclopedia of this kind, a few articles pursue pet topics rather than larger themes, or fall off a generally high standard of exposition. All in all, however, this well-executed work will meet the needs of college- and graduate-level students and be useful to a broad professional audience.

Shadows & Substance: The Chemical Weapons Convention. EDITED BY BENOIT MOREL AND KYLE OLSON. Boulder: Westview, 1993, 420 pp. $59.95.

This, the first in a set of edited volumes from the Ridgeway Center for International Security Studies at the University of Pittsburgh, makes a contribution to our understanding of the convention, signed in January 1993 and not yet in effect. The multiple authors take a technically sophisticated approach to their subject, which makes for competent analysis but rather slow reading. To their credit, the editors have assembled

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authors who take markedly different views of arms control, from the mildly hopeful to the scathingly critical. The convention, which requires the destruction of all chemical weapons by signatory parties, is exceedingly ambitious. It provides for elaborate (but probably porous) verification measures and the creation of yet another international organization. Even the optimists are hesitant to promise too much for it.

The Laws of War: A Comprehensive Collection of Primary Documents on International Laws Governing Armed Conflict. EDITED BY W. MICHAEL REISMAN AND CHRIS T. ANTONIOU. New York: Vintage, 1994, 448 pages. $13.00.

When military officers began planning the Gulf War, they had uniformed lawyers with them to provide advice and impose caution from the beginning. In many states, international law restricts military operations or provides them a framework. Reisman and Antoniou, a professor and a former student at Yale Law School respectively, have put together a handy anthology. They cover a wide variety of subjects, from the use of mines and the rights of occupied populations to environmental warfare and war crimes. Although pre-1945 material (particularly the Hague conventions) appears, the volume leans heavily on more recent agreements and declarations. Particularly valuable is the inclusion of texts of actual rules of engagement from the Vietnam War, which give a good feel for the tactical consequences that attempts to apply the law of war can have. Despite some curious omissions, such as the writings of Hays Parks and a more thorough treatment of the Persian Gulf War, the editors have produced an excellent anthology.

A League of Airmen: U.S. Airpower in the Gulf War. BY JAMES A. WINNEFELD, PRESTON NIBLACK AND DANA J. JOHNSON. Santa Monica: RAND, 1994, 335 pp. $30.00 (paper, $15.00).

Winnefeld, a retired naval aviator, led a RAND team studying the Gulf War for the Air Force. The result leans heavily on the original Department of Defense's *Conduct of the Persian Gulf War* report and some material from the *Gulf War Air Power Survey* (although not much of the recently published statistical data from that effort), but the authors have conducted supplementary research and interviews. The result is a useful and generally balanced one-volume account of the air war in the Gulf, albeit one with few surprises. The authors warn that the war had an unusually good fit with U.S. Air Force doctrine, which may not be the case next time.

Who Owns Information? From Privacy to Public Access. BY ANNE WELLS BRANSCOMB. New York: BasicBooks, 1994, 241 pp. $25.00.

A crisp and straightforward analysis by a leading communications and computer lawyer, this book does not bear directly, one might think, on international relations. Important issues emerge, however, from Branscomb's discussion of such questions as who owns your electronic messages and who owns government information. Undoubtedly, it is ever easier for foreigners to acquire a great deal of information about Americans as a whole,

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by class, or as individuals. Whether such information translates into knowledge is a different matter. One hopes that someone will explicitly address the implications of the information age for international relations in as direct and illuminating a fashion as Branscomb does here.

Downsizing Defense. EDITED BY ETHAN KAPSTEIN. Washington: Congressional Quarterly, 1993, 236 pp. $34.95.

Kapstein, a political economist now at the OECD, has edited a solid set of essays on various aspects of the shrinkage of defense spending in the United States, Europe, and Russia. The essays do not always fit neatly together, but they address forthrightly such issues as to what extent states can plan to create a defense industrial base, the impact of Congress on American downsizing, and the effects as seen by industry and the localities hardest hit. Kapstein concludes that defense conversion is a misnomer; transformation is a more useful term. It appears from this discussion that national experiences and problems are quite dissimilar, which may mean that cross-national comparisons will be intriguing but not all that helpful.

Heisenberg's War: The Secret History of the German Bomb. BY THOMAS POWERS. Boston: Little, Brown, & Company, 1993, 608 pp. $16.95 (paper).

Powers, an experienced journalist and writer, makes the case that Nobel laureate Werner Heisenberg acted to slow down and ultimately block German development of a nuclear weapon during World War II, resisting the Nazi regime from within. Perhaps, but to his credit, he admits that others, looking at the same body of evidence, have legitimately drawn different conclusions. It is, at the very least, quite clear that Heisenberg was willing to assume a comfortable place in an evil regime, when others chose different courses of action. The book's chief weakness, and a major one, is that Powers does not appear to know German, although he had the aid of a German-speaking assistant who translated documents and conducted interviews. As a result, the book relies very heavily on American sources from the Office of Strategic Services who were monitoring the German effort, hoping to stymie it during the war and learn from it afterwards. That is, in fact, part of the book's interest. An engrossing tale, superbly told, about a man who, appropriately enough, gave the word "uncertainty" a significance that reverberates to the present day.

The Making of Strategy: Rulers, States, and War. EDITED BY WILLIAMSON MURRAY, MACGREGOR KNOX AND ALVIN BERNSTEIN. New York: Cambridge University Press, 1994, 645 pp. $34.95.

One of the most famous modern books on strategy, *The Makers of Modern Strategy*, was based on the assumption that strategy, like works of art or science or games of chess, was conceived by individuals and could be studied by reading the works of individuals. That assump-

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tion was only partially true, because wartime strategies have always been the product of collective activity and reflected the influence of many factors in addition to the individual genius of strategic thinkers. Hence, a book on the makers of strategy needed to be complemented by a book on the making of strategy that examined the geographic, historical, cultural, and bureaucratic influences on nations at war or preparing for war.

This book traces the processes that resulted in military strategies in 17 cases, ranging from ancient Greece and Rome to American nuclear strategy. There are, thank God, no attempts to develop universal theories that explain national strategy everywhere and always. Each essay is self-contained, and academics searching for brief but expert analyses of strategic case studies for teaching purposes will welcome this book. As with any collection of essays by a large group of scholars, some essays are better than others. Donald Kagan's essay on Athens will do much to combat the simplistic view that became dominant in the American academy during the Vietnam hangover, that Athens "inevitably" lost the war because it had its own imperial overstretch in Sicily. Eliot Cohen's essay on American strategy from 1920 through 1945 reminds us of the impact of World War I experiences on American strategic planners in very specific ways. Arthur Waldron is always worth reading on China.

There are two interesting gaps in this otherwise comprehensive book. In contrast with political scientists, who study little else except the Cold War period, this book has only two essays on the period after 1945, an essay by Michael Handel on Israel's search for security and one by Colin Gray on American nuclear strategy, an unfortunate choice given his decision not to make use of any of the new Cold War histories or archives containing recently declassified material. There is no essay on Soviet strategy since World War II, no discussion of modern Chinese strategy, no discussion of strategy in the Third World. Second, with the exception of Waldron's essay, the book has no essays on the making of strategy in Asia; no essay on Japan at any point in time; no essay on the Ottoman Empire. Given the growing importance of Asian powers relative to the West, and given the editors' correct perception that national strategy reflects continuities in historical experience, institutions, and culture, more attention to the world beyond Christendom would have been useful not only for scholars interested in the comparative study of history, but for American officials and citizens with practical concerns.

STEPHEN PETER ROSEN

The Diffusion of Advanced Weaponry: Technologies, Regional Implications, and Responses. EDITED BY W. THOMAS WANDER, ERIC H. ARNETT, AND PAUL BRACKEN. Washington: American Association for the Advancement of Science, 1994, 391 pp. $20.00 (paper).

This is a mixed bag of essays that grew out of three workshops sponsored by the MacArthur Foundation and run by the American Association for the Advancement of Science. Many of the essays are short (ten pages long) and serve merely to restate, in nondescript prose, national

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perspectives on regional security matters—a consequence, it appears, of the relentlessly multinational character of the study's organization. Surprisingly, the technical discussion is rather thin, with the exception of a review of cruise missile and armor developments, although some of the essays (Paul Bracken's on command and control technology in the developing world, for example) are suggestive.

The United States

STEPHEN E. AMBROSE

The Reagan Doctrine: Sources of American Conduct in the Cold War's Last Chapter. BY MARK P. LAGON. Westport: Praeger Publishers, 1994, 187 pp. $49.95.

Mark Lagon, research associate at the American Enterprise Institute (a position he got, he tells us, thanks to Jeane Kirkpatrick), is not interested in how smart, innovative, appropriate, or successful the Reagan doctrine was in dealing with communism in the Third World. Rather, he writes, "the purpose of this analysis of the origins of the Reagan doctrine is to test the usefulness of the explanatory theory of structural realism." In other words, he uses this case to prove a theory, rather than studying the case in depth or judging its results. His major sources are interviews with Reagan administration officials involved in foreign policy. His question to them was: Who thought this up? His question to himself was: Which better explains the Reagan doctrine, a "realist" theory or an "elite beliefs" theory? His answer to this not very interesting question is that both are necessary.

Like most dissertations turned into books, this one is written in a jargon that obfuscates rather than illuminates and takes far too many words to say the simplest things. Consider: "Structural realism here refers to the contemporary generation of realist explanatory theories focusing on states as actors pursuing t heir national interest in an international system characterized by formal anarchy (a lack of an overarching supranational authority) and an evolving systemic equilibrium (a balance of power)."

I can think of no reason anyone other than a political science graduate student would want to read this book.

The Diplomacy of the Crucial Decade: American Foreign Relations During the 1960s. EDITED BY DIANE B. KUNZ. New York: Columbia University Press, 1994, 372 pp. $50.00 (paper, $16.50).

This outstanding collection of essays on American foreign policy during the Kennedy and Johnson administrations is somewhat marred by a misleading title. The coverage is from January 1961 to January 1969, not of the whole decade, and the use of the word "crucial" is at least questionable. But never mind. The essays themselves provide a comprehensive view of American policy toward the world in two administrations, based on the most up-to-date scholarship, written by some of our leading historians.

The most interesting essays are the overview by David Kaiser, the discussion

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of NATO policy by Thomas Schwartz, the analysis of relations with China by Arthur Waldron (in which he argues that it was the Chinese, not the Americans, who prevented a normalization of relations in the 1960s), and the capstone essay on the United States and Vietnam by Robert Schulzinger. Other subjects, all well-covered, are: Latin American policy, by William Walker; relations with Japan, by Michael Schaller; the Middle East, by Douglas Little; Africa, by Gerard Thomas; and economic policy, by Diane Kunz.

Valdislav Zubok's essay on U.S.-Soviet relations is worth special mention. A graduate of Moscow State University, he is the only non-American author. He has not had access to Soviet documents, but he brings to the essay the special skills and point of view of a Russian historian. While his conclusion is hardly startling—the United States and the Soviet Union were prisoners of their own Cold War rhetoric, unable to change course—his details on how policy consensus was achieved in the Soviet Union are fascinating.

Less than Meets the Eye: Foreign Policy Making and the Myth of the Assertive Congress. BY BARBARA HINCKLEY. Chicago: University of Chicago Press, 1994, 252 pp. $34.95 (paper, $13.95).

Purdue University political science professor Barbara Hinckley, winner of the American Political Science Association's prize for the best book on the presidency published in 1992, *Follow the Leader*, here takes on the widely held view that since Vietnam and Watergate the Congress has asserted itself in its constant struggle with the president and taken over foreign policy. Hinckley offers facts, graphs, statistics, vote counts, newspaper coverage, and other sources to document her view that the apparent struggle for control is mostly illusion.

She writes: "We find agendas filled with highly selective debates and symbolic issues, with demands for reports that are not read and tough restrictions with built-in escape provisions. The two branches support each other in this symbolic display, staging dramatic last-minute compromises or complaining about each other's usurpation or meddling. Officials hotly contest the restrictions and then invoke the escape clauses—routinely, year after year."

The War Powers Act is her favorite example. Written with passion, made into law by Congress when it decisively overrode President Nixon's veto, the law is all sound and fury. Congress has never used it effectively and almost certainly never will. Hinckley's point is that this is exactly what the authors of the law wanted.

Hinckley argues that when changes in foreign policy are made they come from the bureaucrats at State, Commerce, Agriculture, and other departments, plus the CIA. But only major changes in the outside world, such as the tearing down of the Berlin Wall and all that it symbolized, can enable the bureaucrats to overcome the inertia of the past and put a new policy in place.

She challenges lots of Washington assumptions. "Neither the president nor Congress is as busy as it might seem," she writes. Congress has imaginative ways of seeming to be active, including "passing symbolic and nonbinding resolutions, calling for more information on issues it

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cannot make decisions on, and passing restrictions on authorizations that do not in fact restrict."

The less important the issue, the hotter the debate, as with the contras in Nicaragua. Here she sees the "deceive-and-forgive syndrome" at work. "When the [congressional] committees discovered funds were being sought elsewhere to evade the congressional prohibition [on aid to the contras], they were outraged. They received an admission that they had been deceived and an apology. When they later found out that the Nicaraguan harbors had been mined without their consultation, they were again outraged. Again they received an apology. They would later discover, during the Iran-contra hearings, that they were still being lied to about the diversion of funds and other activities. *All this time the committee was actively conducting hearings and being briefed."* (Italics in original). In sum, a thoughtful book with a new point of view that is well worth reading.

Arthur M. Schlesinger, Jr., and the Ideological History of American Liberalism. BY STEPHEN P. DEPOE. Tuscaloosa: University of Alabama Press, 1994, 192 pp. $29.95.

Arthur M. Schlesinger, Jr., is the preeminent American academic historian, despite not having a Ph.D. He made it to the top through the weight of his many outstanding volumes on American history, with the concentration on U.S. presidents, ranging from Andrew Jackson through Franklin Roosevelt to John F. Kennedy. Among academics, he is unique in his involvement in politics. He was a speechwriter for Adlai Stevenson and Kennedy, and an advisor in the Kennedy White House. He was and is a partisan. The major theme in his politics and writing has consistently been a defense of liberalism. It is his consistency, despite the ups and downs of liberalism over two centuries and despite its current unpopularity, that Stephen Depoe discusses in this brief monograph. Unfortunately, he has little to say on Schlesinger's foreign policy views.

America's Right Turn: From Nixon to Bush. BY WILLIAM C. BERMAN. Baltimore: The Johns Hopkins University Press, 1994, 192 pp. $38.95 (paper, $12.95).

This is an analysis of voting patterns in the United States from the mid-1970s to the early 1990s. It links the swings in voting Republican or Democrat to the various policies and proposals the candidates or the president were making. If Berman is right in the priorities he assigns, it is astonishing how little foreign policy matters affect electoral politics—at least when the nation is not at war. For example, Berman has extended and sensible discussions of President Reagan's tax policies and the way they affected voting patterns, but the Strategic Defense Initiative gets only one line. So too the contras and Nicaragua.

Beyond the Beltway: Engaging the Public in U.S. Foreign Policy. EDITED BY DANIEL YANKELOVICH AND I. M. DESTLER. New York: W. W. Norton & Company, 1994, 315 pp. $28.00.

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Where do we go from here? This is the question taken up in this compilation of essays. With the end of the Cold War, the public has tended to retreat to isolationism while simultaneously demanding a more active role in decision-making, as in Bosnia or Haiti. This contradiction, combined with the absence of clear goals in a world with one military superpower but many economic giants, some emerging, some already established, frustrates both the president and the State Department.

David Gergen notes in his piece that President George Bush planned to give a series of four commencement addresses on the "new world order" following Desert Storm, but ultimately he gave only one speech and dropped the phrase from his lexicon. Nor has President Clinton been able to take charge and set an agenda. There are, as Gergen writes, no easy answers.

Daniel Yankelovich and John Immerwahr propose a series of campaigns to persuade the public to back an initiative, as Clinton did to win passage of NAFTA—but for what goal? Donald McHenry calls for support for U.N. peacekeeping forces. Norman Ornstein wants Congress to strengthen its leadership and develop a better agenda-setting capability. Neither proposal is likely to get anywhere. B. R. Inman and Daniel Burton urge more cooperation between business and government on the foreign economic front. And so on. There is not much new here, but there is a great deal of solid thought presented by some of the leading commentators on foreign affairs. This volume will serve as a useful reference and as a source for the ongoing debate over where we go from here. Highly recommended.

Western Europe

FRITZ STERN

War and Economy in the Third Reich. BY R. J. OVERY. New York: Oxford University Press, 1994, 390 pp. $55.00.

A collection of essays—written over the last 20 years and appearing under a misleading title—dealing with diverse aspects of Germany's recovery and wartime economic performance. Eliminating unemployment was Hitler's most visible success, facilitated by a slow recovery that had begun even before the Nazis came to power and by their fervent promotion of all that had to do with "motorization"—a key interest to the author. Overy, an English historian, rejects earlier arguments that the fear of domestic crisis led Hitler to go to war; he argues the rather obvious thesis that Hitler responded to a favorable international situation. Overy also insists that the European Community's economy was fully mobilized from the beginning of the war even if economic performance significantly improved after 1942. These essays, good on individual aspects, give no clear analysis of the control and organization of the German economy. The author mentions the "defensive opportunism" of German business, which eventually included the brutal use of slave labor. The process of "Aryanization" is barely alluded to. Precise in detail—if often based on much earlier research—but neglecting context, the book makes one wish for a coherent work on the German economy under the Nazis.

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Hitler and the Jews: The Genesis of the Holocaust. BY PHILIPPE BURRIN. New York: Edward Arnold, 1994, 177 pp. $59.95 (paper, $16.95).

Anatomy of the Auschwitz Death Camp. EDITED BY YISRAEL GUTMAN AND MICHAEL BERENBAUM. Bloomington: Indiana University Press, 1994, 528 pp. $39.95.

Against All Hope: Resistance in the Nazi Concentration Camps, 1938-1945. BY HERMANN LANGBEIN. New York: Paragon House, 1994, 502 pp. $29.95.

Burrin, a Swiss historian, gives a highly intelligent interpretation of the available evidence and opinion concerning how and when the decision to exterminate the Jews was reached. While there was complicity and local initiative, Hitler's will was definitive. Burrin rightly observes that Hitler "did not have a plan, but only an obsession." A great deal of Nazi policy was improvisation—extrusion, not extermination, was still the goal in 1940-41—but Hitler's obsession (and that of others, perhaps not sufficiently emphasized) and the antecedent encouragement of organized brutality were preconditions for "the final solution." Burrin dates the decision as probably September 1941 when Hitler first perceived the danger of a protracted war on several fronts. By the fall of 1941, new methods of killing were introduced, and the fate of European Jewry seemed sealed—in fear of defeat, the Germans would wish to kill all Jews, and the same would have happened in case of a Nazi victory.

Anatomy of the Auschwitz Death Camp contains 29 essays by writers from three continents, each dealing with some aspect of "the heart of hell." Auschwitz began as a concentration camp for Poles and gradually became a place for extermination and slave labor for Jews and non-Jews; over a million Jews were killed there. The book presents unevenly researched accounts of the number of victims, the methods of murder, the lives of the perpetrators and victims. Degradation before death and the conditions of slave laborers for well-known German enterprises (I. G. Farben, for example) located near the camp are topics discussed, as is the question of how and when the outside world learned of these horrors and how it responded or did not. A few diaries of victims were found, desperate efforts to transmit experiences to later generations. The book covers some subjects broadly, some narrowly, all in as dispassionate a manner as conceivable.

Langbein, an Austrian who fought in the Spanish Civil War and was later taken from French internment camps to Dachau and Auschwitz, depicts the conditions under which acts of defiance or lifesaving solidarity were attempted in German camps and the internal conflicts between criminals and so-called political prisoners. From his own experience and that of others (based on published sources or interviews) he relates individual acts of defiance. Scant material, but a useful complement to the accounts of inescapable victimhood. The book first appeared in Germany in 1980.

The ever-growing monographic literature on the Holocaust is becoming a field of its own; it informs, of course, but it may

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also induce numbness and come to overshadow the more literary evocations, none greater than the works of Primo Levi.

Modern European Socialism. BY LAWRENCE WILDE. Brookfield: Dartmouth Publishing Company, 1994, 221 pp. $59.95.

This is a broad, brief survey of European socialism in the European Community post-1945 era, including accounts of Soviet communism, regarded by many as a perversion of socialism. An English academic depicts "new social movements" as well, principally feminism and the Greens in different guises. A useful introduction, especially to the vast literature on the range of subjects, acknowledging socialist failures and defeats but not ruling out a socialist revival even under the new social conditions, provided capitalism fails "to deliver security and prosperity" in the new world system.

American Visions of Europe: Franklin D. Roosevelt, George D. Kennan, and Dean Acheson. BY JOHN LAMBERTON HARPER. New York: Cambridge University Press, 1994, 362 pp. $27.95.

The author examines the views of three very different men in different positions at different times—hence one has essentially three disparate essays, each marked by the author's intelligent but excessive emphasis on the role of biographical factors in the evolution of policy. In places this leads to facile psychologizing and dubious analogies to novels. The author, an American historian, emphasizes F.D.R.'s "profoundly solipsistic nationalism and sense of American superiority" and Kennan's "melancholy disaffection" with the United States and his gradual despairing of Europe's prospects for retaining its identity, free from American tutelage. Acheson, at first convinced of a special relationship between Britain and the United States, came to believe that only a credible American commitment to Europe could prevent a terrible spiral of seeming American irresolution leading to European neutrality, which would inspire a new American isolationism. The style of each man is vividly evoked; the book is thus a somewhat fuzzy contribution to history and, unwittingly, to nostalgia. We had different public servants then, and even their flaws were the other side of greatness.

A Dance Between the Flames: Berlin Between the Wars. BY ANTON GILL. New York: Carroll & Graf, 1993, 304 pp. $23.00.

Berlin of the 1920s and the audience of today deserve better than this rewrite of German sources, a catalogue, anecdotal and racy, of some of the greatest figures and artistic developments of the time. But the life of the city was so dramatic that even this unoriginal and, in matters historical or political, often inaccurate compilation has some interest. A couple of excellent maps, some photographs, and many fine quotes, mostly from obvious sources, add value to the book.

France in the New Europe: Changing yet Steadfast. BY RONALD TIERSKY. Belmont: Wadsworth Publishing Company, 1994, 283 pp. $21.00 (paper).

Through French Windows: An Introduction to France in the Nineties. BY JAMES CORBETT. Ann Arbor: University of Michigan Press, 1994, 415 pp. $47.50 (paper, $19.95).

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Tiersky, an American political scientist, has written a succinct, forthright analysis of French political life—with due attention to the peculiarities of French history, political culture, and social changes. A good introduction to most aspects of the Fifth Republic, with useful references to the key literature. He emphasizes French "normalization," the attenuation of class conflict, the nonideological character of today's major parties. He believes that "this alienated, increasingly deracinated society seems no longer the old France."

It is this modern France with its great technological achievements and modern, secular society that Corbett, a professor at the University of Grenoble, seeks to depict. A book intended for the nonspecialist, for the globe-trotting entrepreneur who should know about demographics and smart cards, about economic and political institutions, but nothing—nothing—about French culture, past or present. That aspect, the author avers, is covered in other books on France. Informative and aseptic.

Western Hemisphere

KENNETH MAXWELL

The Soviet-Cuban Alliance, 1959-1991. BY YURI PAVLOV. New Brunswick: Transaction Publishers, 1994, 272 pages. $18.95 (paper).

A fascinating insider's view of the vicissitudes of the Soviet relationship with Cuba by a former Soviet foreign service officer. Pavlov held several key positions over the years: occasional translator for Nikita Khrushev, ambassador to Costa Rica, and head of the foreign ministry's Latin American directorate. Although this history is disappointing on information about the large-scale Cuban intervention in Africa during the 1970s, Pavlov's account of his discussions with Bush administration officials and the Cubans during the twilight years of Gorbachev provides much new material unavailable elsewhere. Indeed, the light that Pavlov sheds on the diplomatic skill with which the Bush administration defused the Central American controversies, as well as the mutual Soviet and American frustration in the face of Castro's intransigence and skill at manipulating domestic factions within each power's policymaking establishment, is particularly instructive. This is a very important contribution to the literature on the Soviet-Cuban alliance. Regrettably, the publisher did not include an index, an inexcusable defect in a book of this sort.

The Constitution of Tyranny: Regimes of Exception in Spanish America. BY BRIAN LOVEMAN. Pittsburgh: University of Pittsburgh Press, 1993, 488 pp. $49.95.

Brian Loveman, a professor of political science at San Diego State University, has produced an unusually interesting and important history of "regimes of exception" in Spanish America tracing the origins and function of this institutional mechanism in legitimizing political repression. In effect, Loveman argues persuasively that there is a legal-

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istic foundation for dictatorship in Latin America and that to ignore this pervasive tradition is to be naive about the ingrained constraints on democracy and the degree to which regimes of exception facilitate military participation and undermine civil liberties and human rights. Loveman argues that without abolishing or severely limiting regimes of exception, "transitions to elected civilian governments guarantee neither democracy nor constitutional rule." This is a powerful indictment buttressed by comprehensive research and lucid presentation. It is essential reading for anyone involved in the debates concerning Latin American democratization and democracy's prospects in the region.

Sexual Politics in Cuba: Machismo, Homosexuality, and AIDS. BY MARVIN LEINER. Boulder: Westview Press, 1994, 184 pp. $47.50.

An exhaustively documented and well constructed study that examines the Castro regime's politics toward sexual minorities and Havana's reaction to the AIDS crisis. Cuba has been the only country in the world to quarantine people who test positive for the HIV virus. Leiner uses official attitudes toward sexuality, gender, and AIDS as a barometer of Cuba's openness to dissent in other areas. The grotesque mistreatment of homosexuals in the 1960s and the current quarantine of HIV-positive people, he argues, are representative of a lack of freedom in other areas, such as the press, speech, and assembly. Leiner, an emeritus professor of education at Queens College, CUNY, has been a frequent and sympathetic visitor to Cuba over the past 25 years. He acknowledges Cuba's impressive achievements in public health and education, but his conclusion is unequivocal: "Cuba's leaders either cannot or refuse to hear that people under socialism genuinely want and are entitled to political rights and freedoms." This work is a provocative contribution, essential to a full understanding of Cuba's dilemmas and Castro's complexes, made more powerful by the fact that it is a critique from the left.

America's First Cuisines. BY SOPHIE D. COE. Austin: University of Texas Press, 1994, 288 pp. $35.00 (paper, $14.95).

A pioneering book written, the author says, to "celebrate the contribution made by the original inhabitants of the New World . . . to the food of the contemporary world." Trained as an anthropologist at Harvard, Coe demonstrates an impressive interdisciplinary reach (archaeology, botany, zoology, medicine, economics, and history). She wears her erudition lightly, however, and she writes well and with an infectious enthusiasm. At the core of her book, Coe provides vivid descriptions of the Aztec, Maya, and Inca cuisines, and the manner in which food was prepared, stored, and preserved. She tells a marvelously ingenious story, that will appeal to anyone interested in the history of the hemisphere and curious about the origin of the ingredients on their dinner plate.

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Eastern Europe and The Former Soviet Republics

ROBERT LEGVOLD

The Struggle for Russia. BY BORIS YELTSIN. New York: Times Books, 1994, 316 pp. $25.00.

Yeltsin gives us a surprisingly informative and revealing look into his world, from the dramatic, failed coup d'état of August 1991 to the considerably more violent confrontation with the Russian parliament in October 1993. Unlike the uninteresting, transparently self-serving pabulum sitting leaders often publish, including Gorbachev's account of the same August 1991 events, Yeltsin adds greatly to our knowledge of these years, particularly his personal calculations, his relations with a host of key players, and his insider's insight into the events themselves.

The book deals primarily with four subjects: the August putsch; Yeltsin's decision to embrace Yegor Gaidar and his radical reforms; the deepening conflict with parliament, its speaker, and his own vice president; and the decision to suspend parliament and its bloody sequel. In his version of what happened in August 1991, no fundamentally new information comes out, for this is by now well-told history. However, the additional detail is interesting, and his analysis of the putschists and the reason their plot failed is shrewd. The book's real value derives from his account of the choices he made after Russian independence: his selection of Gaidar to head the economic reform effort, the politics that began to swirl around these choices, and the behind-the-scenes action in the growing presidential-parliamentary crisis.

He does not admit in so many words that he mishandled the October confrontation with parliament, but the outcome clearly troubles his conscience. He writes that the collapse of the Soviet Union was a historic mishap, but he lays blame for the collapse on the shoulders of those who schemed so foolishly in August. In doing so, he offers useful material on his negotiations with Gorbachev and other leaders in the spring and summer of 1991.

However, not only does Yeltsin shed light on important developments in Russia's first two years of independence, the style of the book and the arguments it contains reveal a good deal about the man himself. His lapses, none of them particularly cynical; his self-perspective, at points self-justifying and at others sharply self-critical; his judgment of others, generous toward foes, frank toward friends—all reinforce the impression of an earthy, stoic, physically strong, but rather emotionally fragile person.

Bosnia: A Short History. BY NOEL MALCOLM. London: Macmillan, 1994, 340 pp. $26.95.

"The years 1992 and 1993," Malcolm begins his book, "will be remembered as the years in which a European country was destroyed." Those responsible, he

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makes plain, are primarily the leaders of Serbia, particularly the ambitious and cunning Slobodan Milošević. But in his view the outside powers and their various mediators—through a combination of spinelessness and misjudgment—have been crucial, unwitting collaborators in the tragedy.

The author, a British journalist and trained Balkan historian, has been deeply offended by the destruction of Bosnia and the historical illiteracy of Western audiences, which eased their acceptance of the event. In response, he has countered with a full and serious history of the country, beginning before the Slavs arrived in large numbers in the seventh century. More than half the book passes before he gets to World War I, and in only two rather brief chapters does he address the collapse of Yugoslavia and the carving up of Bosnia.

As he speeds through an account of the complex, centuries-old movement of tribes and ethnic groups, the ebb and flow of different religious influences, and the rise and fall of empires claiming different parts of the region, the author is agitated by two major themes. first, Bosnia is not the hopeless refuse of three incompatible ethnic groups but an entity with as much historical continuity and political integrity as any of the other states in this area. Second, Bosnia was not held together and kept peaceful only through the domination of other larger powers, but rather " 'national' animosities within the country have reached the point of interethnic violence only as a result of pressures coming from outside Bosnia's borders."

The Resurgence of Central Asia: Islam or Nationalism? BY AHMED RASHID. Atlantic Highlands: Zed Books, 1994, 278 pp. $59.95 (paper, $25.00).

In the widening stream of books and essays on post-Soviet Central Asia, this is the closest thing to a primer. After a brief summary of the region's ancient heritage and fate in two revolutions—1917 and 1991—Rashid proceeds country by country, setting out basic ethnic, political, and economic characteristics, describing the political forces in play, and relating all this to the scars and effects of the Soviet past.

Rashid is a Pakistani journalist, a contributor to the *Far Eastern Economic Review*, and, thanks to his many trips into the region, a sympathetic observer with a good eye for the color and texture of these societies. It also may help that he comes from a Muslim environment and senses the subtler dimensions of Islam's progress in the area. He certainly knows what Turkey, Iran, and Pakistan are up to in the region and reports on this very well.

As for the large question in the title of the book—*Islam or Nationalism?*—the author waffles. For a host of reasons he doubts that primitive and passionate nationalism can seize these states. For a separate set of equally formidable reasons he also believes Islamic fundamentalism will not easily prevail. Yet at the same time he stresses the vast gap between political elites and the masses, the enormous economic challenge ahead, and the uncertain impulses of a large younger generation about to enter the political arena. His only rejoinder to the unpredictability he freely acknowledges is a somewhat quixotic faith in "the deep wells

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of knowledge and experience that these ancient peoples have to draw on."

Ethnic Nationalism: The Tragic Death of Yugoslavia. BY BOGDAN DENITCH. Minneapolis: University of Minnesota Press, 1994, 229 pp. $44.95 (paper, $17.95).

There is a special anguish and anger in this book: Denitch was born Serbian, grew up in the United States, and made his university career in New York, but he has also spent a good deal of time in Croatia and is now also a citizen of that country. He despises the Serb nationalists who have roiled ethnic waters for their own selfish political purposes, but he has little more respect for the bureaucrats from the old regime who dominate leadership in the other states.

Denitch is above all else sorry: sorry that the second Yugoslav state could not be made to work, sorry that so many of the unscrupulous old-guard communists were able to hijack their states under savage nationalist pretense, sorry that democratic socialism was not given a chance here and elsewhere in Eastern Europe, and sorry that once more the rest of Europe and the West care so little.

He promises to explain why all of this has happened and, in particular, why nationalism turns pathological, where ethnic chauvinism comes from, and what democracy has to do with the problem. He does not succeed. At this level the book is thin and full of clichés, a collection of simple and tired urgings derived from all the things he is sorry about. His description of the elements and culprits in the death of Yugoslavia, however, has great clarity and considerable power.

Behind the Front Lines of Civil War: Political Parties and Social Movements in Russia, 1918-1922. BY VLADIMIR N. BROVKIN. Princeton: Princeton University Press, 1994, 455 pp. $55.00.

Lenin and the Bolsheviks, having successfully executed their coup d'état in November 1917, did not simply settle into power and begin the recasting of Russian society. They first had to fight a three-year war against a variety of armed opponents. This civil war turned into a further crucible of Bolshevism, shaping the regime's approach to political opposition, the peasantry, national regions, and institutions like the military.

Because it was important in defining the subsequent character of Lenin's revolution, historians on all sides have debated intensely what transpired within Bolshevism and within Russian society during the conflagration. Brovkin, a young historian from Harvard, weighs into the debate with a complex and subtle argument that assigns the Bolsheviks' ultimate victory not to superior resources and élan and not to the support of workers and the other putative beneficiaries of the November revolution but to peculiar weaknesses in the opposition.

Brovkin contends that Lenin, far from mobilizing the downtrodden, began with mixed support and by 1918 was alienating any further potential backing through ideologically driven policies. The various forces that might have prevailed over the fragile Bolshevik regime failed one after

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another, according to the author. They were undercut by Lenin's willingness to resort to mass terror, or because they were betrayed by Lenin's other enemies or, in the case of the peasantry, the element in society that could have brought Lenin down, because it did not care beyond any given village. The peasantry rebelled against the regime's intrusions, not in order to overthrow the regime.

Brovkin's thesis is far more involved than this brief summary can suggest, and, while the social historians he attacks will have their own view of the work, the book brings depth and new insights into this formative period of the Soviet system. With this more than adequate justification, therefore, one wonders why the author and a distinguished university press feel compelled to give the book contemporary currency (marketability) by somberly suggesting that an "old question" relevant then—"can Russian statehood prevail over local, regional, and national identities?"—is relevant today. Perhaps it is the same question, but it is in contexts that give it two very different meanings.

Middle East

WILLIAM B. QUANDT

Forever Enemies? American Policy and The Islamic Republic of Iran. BY GEOFFREY KEMP. Washington: Carnegie Endowment for International Peace, 1994, 144 pp. $9.95 (paper).

Iran's National Security Policy: Capabilities, Intentions and Impact. BY SHAHRAM CHUBIN. Washington: Carnegie Endowment for International Peace, 1994, 106 pp. $10.95 (paper).

These two policy-oriented essays are welcome additions to the discussion of how to deal with Iran. Kemp does not argue for a fundamental overhaul of policy, and he foresees continuing conflicts between the United States and Iran. He does, however, question the wisdom of having no contact with Iran, and he feels that fears of Iranian hegemony in Central Asia or the Persian Gulf are exaggerated.

Like Kemp, Chubin takes seriously the policy differences between Iran and the West, but is not particularly impressed with Iran's military capabilities. The Iranian economy is in such bad shape that eventually Iran will be obliged to abandon its hard-line policies and seek some assistance from those it now attacks. Meanwhile, Iran's bark is worse than its bite, and its nuclear capability is thankfully many years off. On the whole, these two publications invite the reader to think beyond the slogan of "dual containment" and to look at Iran in realistic terms as a country too important to ignore and less threatening than often portrayed.

Islams and Modernities. BY AZIZ AL-AZMEH. New York: Verso, 1993, 157 pp. $59.95 (paper, $17.95).

This is a series of erudite, sometimes opaque, but always highly original essays on Islam and politics. The author aligns himself with an "anti-essentialist" stance, meaning that he rejects the idea that Islam is a fixed body of beliefs or practices. He attacks both fundamentalists and Orientalists for promoting such a misleading view of Islam. Instead, he sees Islam as a living, changing, and constantly reinterpreted body of ideas.

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He is also skeptical of those who rely on arguments about culture and ethnicity, as if these are fixed categories. Political Islam, which has little to do with traditional models, is linked to the growth of petrodollars in the 1970s. Azmeh is relentless in picking apart conventional wisdom, challenging common clichés, and warning against the careless use of analytical categories.

When all the deconstruction is done, one is still left with many unanswered questions. Still, these essays, difficult as they sometimes are, bring an independent and critical attitude to bear on the realities of the Middle East and on the scholarship that seeks to interpret it.

A History of the Israeli-Palestinian Conflict. BY MARK TESSLER. Bloomington: Indiana University Press, 1994, 906 pp. $57.50 (paper, $27.50).

The author of this encyclopedic study strives for "objectivity without detachment." To a very substantial degree, he succeeds. Rejecting the notion that the Israeli-Palestinian conflict is rooted in ancient antagonisms, Tessler devotes the initial chapters to the parallel, sometimes similar development of the two national movements with their distinctive historical memories and common claim to the land of Palestine. Much of the story of the conflict that erupted in the twentieth century is familiar, but the author has read widely and is determined to give more than one side of the story. This compulsively evenhanded approach helps to account for the length of the book and will leave partisan readers dissatisfied. But most will profit from the careful scholarship and the balanced judgments and will hope that he is right in concluding that the Israeli-Palestinian dispute may finally be on its way to resolution.

Securing Peace in the Middle East: The Project on Economic Transition. EDITED BY STANLEY FISCHER AND OTHERS. Cambridge: The MIT Press, 1994, 166 pp. $20.00.

As Israeli and PLO negotiators were inching toward agreement in Norway last year, another group of Israeli and Palestinian academics, joined by Jordanians and Americans, were jointly considering how the economic transition to peace between Israel and the Palestinians could best be carried out. They agreed on the importance of giving the Palestinians "economic sovereignty," but also supported the concepts of a free market and free trade as the best guarantee that a Palestinian economy would prosper and provide jobs. Along with a study by the World Bank, this should be a key reference document as the Palestinians begin to take control of their future after so many years of Israeli occupation. The mere fact that Israelis and Palestinians have jointly tackled these difficult issues is a promising sign for the future.

A Fire in Zion: The Israeli-Palestinian Search for Peace. BY MARK PERRY. New York: William Morrow and Company, 1994, 366 pp. $25.00.

A talented journalist has written a fast-paced, engaging account of the events

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leading to the Israeli-PLO breakthrough of last year. Perry does not provide much deep analysis, but his recounting of the story does justice to the multiple strands that eventually led to Oslo. He has talked to many of the participants and has read widely. His account contains few surprises and is occasionally at odds with more authoritative versions, but on the whole this is a good story, well told. The Palestinians are given credit for breaking the logjam in 1987 with the intifada; Bush and Baker are praised for getting the parties to Madrid and then helping to unseat the Likud party in 1992; the Norwegians and Egyptians get high marks as well. But ultimately it was Arafat and Rabin who made the deal. Without them, there would have been no agreement.

Democracy Without Democrats? The Renewal of Politics in the Muslim World. EDITED BY GHASSAN SALAMÉ. London: I. B. Tauris, 1994, 340 pp. $59.50.

If you are tempted to accept the "Arab exceptionalism" point of view in the debate over democracy, or subscribe to the notion that Islam is a threat to Western civilization, this excellent collection of essays will encourage thoughtful reconsideration. This is not to say that the authors present a case for smooth democratic transitions in the Middle East or the compatibility of Islam and democracy—many are skeptical on both points. But they do tend to situate the problems of the Arab world in a context where they can be understood as comparable to those of other parts of the world. Several authors examine the issue of "pacts" as a way of working out rules of the game before elections are held; another looks at the role of oil rents and taxation as distinctive issues in setting the terms of debate between the state and its citizens. Most of the focus is on the Arab world, but attention is also given to Turkey and Iran. Several of the essays have been translated from French in a particularly opaque style, but they are all thought-provoking.

War and Peace in the Middle East: A Critique of American Policy. BY AVI SHLAIM. New York: Whittle Books, 1994, 147 pp. $17.95.

Neoconservatives and partisans of Israel are unlikely to find much common ground with the author of this critical, sometimes polemical book about American policy in the Middle East. Shlaim is a committed regionalist who blames Cold War globalists for misreading the realities of the Middle East. He also argues for a more evenhanded policy in support of Arab-Israeli peacemaking, favoring the Bush-Baker approach over that of the Clinton crowd. Whatever one may think of some of the particular criticisms that Shlaim makes, he is surely on target when he talks about the illegitimacy of the state system that emerged from the post-Ottoman settlement as an enduring source of instability in the region, and he makes good sense when he argues that Arab-Israeli peace will open the way for democracy and more accountable governance in the Middle East. This briskly and sometimes carelessly written essay is bound to provoke controversy—and was surely intended to do so.

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The Politics of Social Transformation in Afghanistan, Iran, and Pakistan. EDITED BY MYRON WEINER AND ALI BANUAZIZI. Syracuse: Syracuse University Press, 1994, 488 pp. $45.00 (paper, $18.95).

Each of these three Muslim countries has undergone profound changes in recent years. As the editors point out, these states have been involved in attempts at extensive social engineering, often with Islamic overtones. The individual chapters concentrate on political elites, the issue of redistribution and social equity, and state policies toward women. More could be done in comparing the three cases, but the individual chapters are of high quality, and the reader can pick and choose according to specific areas of interest. A valuable collection.

Asia and the Pacific

DONALD ZAGORIA

China in the World Economy. BY NICHOLAS R. LARDY. Washington: Institute for International Economics, 1994, 156 pp. $16.95 (paper).

This dense, information-packed monograph can be rewardingly read on several levels. First, it explodes a number of myths about China, including the one that exaggerates the size of the Chinese economy. Second, there is an informative chapter on economic issues in U.S.-China relations. Third, in a stimulating concluding chapter, the author demonstrates that China is already more integrated into the world economy than Japan, Taiwan, or South Korea were at comparable stages of their economic development. More surprisingly, he argues that China, in some crucial respects, is more open than these other Asian economies. This greater integration gives China an enormous stake in the evolution of the world economy and has important policy implications for the United States.

Finally, Lardy's volume can be read as a potent critique of U.S. policy toward China. Instead of labeling China, along with Iran and Iraq, a "backlash state," as National Security Advisor Anthony Lake labeled it recently, China should be treated as a potential strategic partner. And when China's behavior—in human rights, nonproliferation, or other areas—does not meet acceptable international standards, this should be addressed by multilateral rather than unilateral sanctions.

Most importantly, Lardy (like Bresnan) demonstrates the inadequacy of America's present and planned national export strategy. The proposed funding for the U.S. Export-Import Bank is far too small, much less than that offered by our Japanese and European competitors. The Clinton export promotion package does not include explicit bilateral aid for China comparable to Japan's. Moreover, because of foreign policy sanctions, low levels of official export finance, and regulatory burdens, the United States is losing huge amounts of potential exports worldwide. In 1989 alone, the United States probably missed opportunities for five to ten billion dollars worth of exports to China in such areas as chemicals, industrial machinery,

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electronic and electrical equipment, and transportation equipment, instruments, and related products. Lardy offers a number of sensible suggestions for revising the Export Administration Act, the single most important law governing U.S. export controls, and he offers a number of suggestions for promoting U.S. exports to China.

If the Clinton administration wants to develop a more coherent national economic strategy that promotes U.S. exports, as it says it does, it should ponder the ideas elaborated here.

An Emerging China in a World of Interdependence: A Report to the Trilateral Commission. BY YOICHI FUNABASHI, MICHEL OKSENBERG, AND HEINRICH WEISS. New York: The Trilateral Commission, 1994, 84 pp. $9.00 (paper).

There is no greater challenge to the Western powers in the post-Cold War era than to develop a unified and realistic policy toward the People's Republic of China. This report from the Trilateral Commission goes a long way toward providing the basis for such a policy. Written by three prominent specialists—one American, one Japanese and one European Asian—the report is sharply critical of Western (particularly U.S.) policy toward China in recent years. It deplores the "sporadic" attention to China since Tiananmen, the "inconsistent signals," the failure to sustain high-level dialogue, and the lost opportunities "to share and shape perspectives" and help nurture the sense of responsibility that should accompany China's growing great power status. The result of this misguided policy has been to force the West to seek Chinese cooperation on "headline-grabbing transitory issues"—such as the Iraqi invasion of Kuwait, North Korea's acquisition of nuclear weapons, or Beijing's treatment of specific dissidents—rather than to develop a shared conceptual framework to illuminate for the Chinese why it is in their interest to resolve the problem at hand.

The report argues that China should be regarded more as an opportunity than a threat, and it recommends a wide range of economic, strategic, and political actions that would facilitate China's involvement in the world community. It also urges that expectations be kept realistic. All too often in the past, it points out, Western powers have harbored unrealistic hopes for China, and "China has been blamed for dashing the unrealistic dreams of others." China, the report continues, is a great civilization with its own history and traditions, and its path will be shaped largely by internal forces and the choices of its leaders. In seeking to incorporate China in the emerging world order, Western leaders must recognize that China's leaders will govern their country in accord with their own vision. Consequently, the West will require great patience and persistence, and the challenge of incorporating China into the world community will be a protracted one, involving decades and generations.

In sum, the challenge of dealing with China requires what the American political process seems incapable of developing—a steady, long-term, consistent policy that sets out to weave China into webs of economic interdependence, engage China in multilateral security arrangements, and maintain frequent and extensive high-level

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dialogue with Chinese leaders. This report needs to be widely circulated within the administration and the Congress.

China's Minorities: Integration and Modernization in the Twentieth Century. BY COLIN MACKERRAS. New York: Oxford University Press, 1994, 355 pp. $79.00.

A China specialist from Australia has written a scholarly and readable account of the minority nationalities in China, including Tibetans, Uygurs, Mongolians, and Koreans. He assesses the growth or decline of their populations, the policies toward them by the central government, the pace of their economic development, and their relations across international borders. He concludes that China has a better chance of remaining unified, even including Tibet and Xinjiang, than did the Soviet Union or Yugoslavia. His reasons are that China has a far longer history of unity as a single nation, one nationality is very dominant, China has achieved considerable improvement of living standards in the minority regions, and China is likely to continue to have a strong central government and the political will to hold the country together, even when such a course necessitates violence against secessionists. The only factor with the potential for bringing about Tibetan independence would be the overthrow of the Chinese communist state. This is a sober and well-researched account, and although some may take issue with its conclusions and its methodology, it is one of the few studies to survey and analyze such a critically important subject.

China Since 1978: Reform, Modernization and 'Socialism with Chinese Characteristics'. BY COLIN MACKERRAS, PRADEEP TANEJA, AND GRAHAM YOUNG. New York: St. Martin's Press, 1994, 274 pp. $49.95 (paper, $18.95).

This readable and balanced account of China since 1978 is designed not as an academic monograph but as a textbook for university students or general readers. It succeeds in its stated task. The authors, all China specialists, explore both the successes and failures of Deng Xiaoping's reforms. There are sensible chapters on such topics as political reform, special economic zones, the law, the educational system, the environment, the health system, and foreign policy. There is also a good bibliography.

Uncertain Friendships: Taiwan, Hong Kong, and the United States, 1945–1992. BY NANCY BERNKOPF TUCKER. New York: Twayne Publishers, 1994, 337 pp. $29.95 (paper, $17.95).

This book has been properly hailed as the most balanced, detailed, and comprehensive history of U.S. relations with Taiwan and Hong Kong in the postwar era. However, it is disappointing in that it is almost completely descriptive, lacks any large ideas or organizing framework, and has a slim conclusion. One important insight that does come through, although it is never developed, is the ease with which "weak players" such as Taiwan and Israel have penetrated the U.S. government, rallying interest groups and U.S. public opinion on their behalf, and getting the United States to do

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things that are frequently not in the national interest. Thus, the Nationalist government of Taiwan proved adept at manipulating the U.S. government on a series of foreign policy issues where the interests of Taipei and Washington diverged. The United States signed a mutual defense treaty in 1954 even though American policymakers were divided on the wisdom of this policy. The United States continued to support Taiwan in the United Nations long after it became politically deleterious to do so. And Taipei proved able to delay U.S. recognition of the People's Republic of China through the astute deployment of allies in the U.S. government, Congress, the media, and the business community.

Moreover, the Nationalist government, like the governments of some other "weak players," was successful in infiltrating the U.S. government. A high-ranking State Department official complained that "documents presented to a State Department meeting on Thursday would turn up in Taipei on Friday" and the Taiwanese foreign ministry staff "just couldn't resist bragging about their access."

The Dynamics of Korean Economic Development. BY CHO SOON. Washington: Institute for International Economics, 1994, 216 pp. $25.00 (paper).

A professional economist who has served as a deputy prime minister and as governor of the Bank of Korea offers a critical appraisal of South Korea's postwar development strategy. The author agrees with the conventional wisdom that the South Korean economy has achieved extraordinary growth rates, but he warns that a number of "structural imbalances," unless corrected, will impede South Korea's entry into the ranks of the advanced industrial countries. These include excessive concentration of economic and political power in large industrial conglomerates, retarded development of small and medium-sized enterprises essential for technological innovation, excessive government control of the financial services sector, and costly labor strife. The author concludes that South Korea must now undertake a "great transition" in order to sustain growth and democratization. He recommends policies to address the problems he identifies, and generally calls for a "much more liberal approach" to international trade and investment.

In a sobering concluding section, Cho warns that "Korea has not yet established a firm institutional basis on which capitalism can soundly flourish." Mercantilist institutions persist. Resources are allocated through arbitrary decision. There is still an unbalanced industrial structure and a rigged price system. And there is a glut of bank loans for highly leveraged firms, while there is only anemic help for new businesses.

The Cold War on the Periphery: The United States, India, and Pakistan. BY ROBERT J. MCMAHON. New York: Columbia University Press, 1994, 431 pp. $30.00.

The author, an American historian who has combed the archives, argues that the U.S. alliance with Pakistan in 1945 was a monumental strategic blunder that increased Indo-Pakistani hostility, undermined regional stability, and led India to

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seek closer ties with the Soviet Union. Examining the volatile South Asian region across four presidencies from Truman to Johnson, McMahon claims that the U.S. strategic rationale was ill-defined, inconsistent, and even contradictory because of its exaggerated concern about the Soviet threat and the indifference to regional imperatives. In a stimulating conclusion, he argues that there were at least two better options for U.S. policy in South Asia during the Cold War. First, there was the possibility of a regional policy centered on a strong relationship with India, an option advocated by the State Department's South Asia hands. Second, there was the possibility of careful evenhandedness, which would have ruled out security ties with either Pakistan or India.

This study is a model of its kind and, whether one accepts the conclusions or not, it sheds a good deal of light on center-periphery relations during the Cold War.

From Dominoes to Dynamos: The Transformation of Southeast Asia. BY JOHN BRESNAN. New York: Council on Foreign Relations Press, 1994, 115 pp. $17.95.

Bresnan's volume, sponsored by the Council on Foreign Relations, is the most thoughtful, comprehensive, and insightful recommendation yet on the adjustment needed for U.S. policy in Southeast Asia. It should be widely read in Washington.

No serious reader can put this book down without harboring deep concern about the ability of the American political system to rise to the occasion. In the areas of security, economics, and human rights, the challenges are formidable. In the security realm, the author quotes one influential Southeast Asian analyst as follows:

> There is enormous goodwill toward the United States in Southeast Asia. But the hard feeling is that China and Japan are here to stay, and these two countries will have to be dealt with. One is not clear whether the United States is in fact a reliable player in this equation... It's not so much the size of the presence that the United States has in Southeast Asia, it's the perception. And the perception right now is of the United States in withdrawal.

On the economic front, the author stresses the need to expand exports much faster than in the past. But he points out the innumerable obstacles, many of them self-inflicted. The U.S. Trade Act of 1988 has diverted official U.S. attention from the biggest economic opportunities in the region. American companies lack competitive financing. The U.S. government, according to its own representatives, is in disarray in its foreign economic policy. The capital-short United States will be unable for at least ten years to make investments in Southeast Asia or anywhere else abroad. New incentives are needed to change traditional corporate behavior. The quality of the Department of Commerce and its numerous dependent agencies needs to be improved, but this branch of government is the most heavily staffed by political appointees of any in the U.S. government. And the

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funding of the Export-Import Bank comes nowhere near the level of that provided by Japan. Moreover, U.S. export credits, small as they are, are biased in favor of agricultural products even though they represent only ten percent of U.S. exports.

Finally, the author demonstrates how far from a consensus the United States and Southeast Asian governments are on on the human rights issue.

In sum, this sober volume makes it clear that the U.S. government has its work cut out for it if it hopes to fashion a credible role for itself in post-Cold War Southeast Asia.

Africa

GAIL GERHART

The Search for Africa: History, Culture, Politics. BY BASIL DAVIDSON. New York: Times Books, 1994, 373 pp. $25.00.

Challenging the intellectually constructed stereotypes of cultural "others" has grown into a mainstream academic endeavor in the decade and a half since the publication of Edward Said's *Orientalism.* But Basil Davidson, the most prolific popular historian of Africa, was at it long before it became trendy. The earlier of the eighteen essays collected in this volume were written in 1953-54, the most recent in the early 1990s. Their unifying theme is the burden imposed by racism on perceptions of Africa's past and the consequent need for Africans to throw off imperialist values, culture, and institutions and return to the flow of their earlier history of indigenous development, which was broken by colonial dispossession.

This is sophisticated advocacy journalism, not scholarship—although Davidson draws widely on the historical scholarship of others when it suits him—but many will find his results stimulating nevertheless. Could Africa in the 21st century reinvent itself by discarding the inappropriate Western model of the nation state and forming redrawn regional and federal political units? Could overcentralized governments be replaced with systems organized around participatory democracy? Whatever the practitioners of realpolitik may make of Davidson's vision, they will not be able to fault him on the consistency with which he has pursued and developed it over 40 years of commitment to African emancipation.

Mauritania's Campaign of Terror: State-Sponsored Repression of Black Africans. BY HUMAN RIGHTS WATCH/AFRICA. New York: Human Rights Watch, 1994, 172 pp. $15.00 (paper).

Large but sparsely populated and extremely poor, Mauritania makes few waves internationally and has distinguished itself in Africa mainly as the only country whose government continues to tolerate slavery in the last decade of the twentieth century. In 1989 a campaign of persecution was launched against Mauritania's non-Arabized black population by the country's dominant, lighter-complexioned Moors and their allies. These groups have sought to impose Arabic as the national language and to expel black farmers from the country's only arable land, which lies along the Senegal River, on the pretext that blacks

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are Senegalese, not Mauritanian.

As documented by extensive testimony collected by Human Rights Watch/Africa (formerly Africa Watch), these expulsions, carried out on a mass scale in 1989-90 and continued intermittently since then, have been accompanied by gross disregard for Mauritanian and international law as well as for Islamic principles of justice. An amnesty proclamation of June 1993 absolved government security forces of all liability for these violations, and by implication legitimized the seizure of land and property belonging to the expellees. The report recommends continued international sanctions against the Mauritanian government until responsibility for these wrongs is acknowledged and restitution made to the victims.

America's Tyrant: The CIA and Mobutu of Zaire. BY SEAN KELLY. Washington: American University Press, 1993, 273 pp. $26.95.

This lively book by a retired Voice of America journalist recounts the shameful 30-year saga of U.S. support for Mobutu, drawing on interview material and unpublished documents in the presidential libraries of Kennedy, Johnson, and Ford, as well as on the extensive existing literature on postcolonial Zaire. Zaire watchers will not find a great deal that is new here, however, and policy watchers may be disappointed at how little the author has actually unearthed about the processes in Washington that produced a foreign policy record as dismal as this one. Mobutu, dubbed an African Caligula by some, remains shadowy as a personality, and the American role in subsidizing him via the World Bank and the IMF is barely mentioned.

Failing the Democratic Challenge: Freedom of Expression in Multi-Party Kenya, 1993. BY JOEL A. SOLOMON. Washington: The Robert F. Kennedy Memorial Center for Human Rights, 1994, 76 pp. Cost of postage suggested (paper).

Based on investigations through mid-1993, this report seeks to focus attention on continuing political repression in Kenya. Since being reelected in December 1992 because of his rivals' inability to unite, President Daniel arap Moi, behind the new facade of a multiparty state, has persisted in treating his opponents as criminals, enlisting the police and courts to harass and silence offending politicians, clerics, publications, and public interest groups. While Moi may be able to go on winning his local battle for power for some time, close scrutiny by foreign governments and international human rights organizations seems likely to deny him a victory in the wider contest for world approval.

Muslim Identity and Social Change in Sub-Saharan Africa. EDITED BY LOUIS BRENNER. Bloomington: Indiana State University Press, 1994, 250 pp. $35.00 (paper, $14.95).

This collection of 1991 conference papers examines the often complex evolution of Islam in a variety of African countries in recent decades, emphasizing the interaction between Islamic groups as they wrestle with issues of local tradition, doctrinal

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reform, political patronage, and increasing Westernization. Where open forms of political activity have been suppressed, some authors argue, Islam has become a vehicle to express ideological, socioeconomic, and political rivalries. Where governments have failed to provide needed social services, Muslim groups have begun to respond to demands for education and welfare in ways largely ignored by Western development agencies.

The book's wealth of historical detail will please experts in this field. The lack of a glossary of Arabic terms will frustrate the nonspecialist. Also frustrating is the failure of either of the book's two chapters on the Sudan—sub-Saharan Africa's only state to institute *shari'ah* law—to adequately explain how the political manipulation of religious conflict facilitated the rise of that country's current regime. Other countries discussed include Nigeria, Mali, Niger, Kenya, Malawi, and South Africa.

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Letters to the Editor

Bergsten and Bhagwati on Japan

To the Editor:

Jagdish Bhagwati's criticism of current U.S. trade policy toward Japan ("Samurais No More," May/June 1994) raises two fundamental questions. First, does Japan maintain trade barriers that need to be removed? Second, do the American tactics of the past year help reduce such barriers without levying adverse side effects on the world trading system?

The answer to the first question is unambiguously positive. Econometric analysis demonstrates that Japan's markets are uniquely closed. But it is unnecessary to appeal to such esoterica to discover a pervasive pattern of collusive corporate practices in Japan, abetted by government regulations, that retards imports.

Bhagwati does not oppose Japanese liberalization. His main concern is that the United States is going about it in a way that is unlikely to succeed and harmful to the global trading system. He is of course correct that the best tactic is an appeal to the multilateral rules and procedures of the GATT. But the GATT does not now cover many of Japan's barriers: collusive corporate practices relating to the supply of components (as in auto parts and semiconductors) and distribution (as in autos and glass), discriminatory regulations (as in insurance) and industry standards (as in cellular phones), and important elements of government procurement (as in construction and medical equipment). Hence the United States and other foreigners must act unilaterally or do nothing.

A second tactical consideration relates to Japan's own trade policy. In negotiation after negotiation over the years, Japan has sent a very simple message to the rest of the world: it will make concessions only when faced with firm deadlines and threats of retaliation. The latest evidence was supplied by the reform governments of Hosokawa and Hata, which Bhagwati seems to think were engineering fundamental change in Japan. Just like their LDP predecessors, they liberalized only when faced with firm U.S. threats: on construction contracting in January, on cellular phones in February, on semiconductors in March. No liberalization emerged anywhere else despite all the rhetoric about reform.

Most people who accept the need to open Japan's markets dislike the administration's tactics so much, however, that they oppose its Japan policy. The administration clearly made some foolish errors, such as elevating the issue of numerical targets to the level of principle and thereby triggering endless debate that strengthened the foot-draggers.

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The chief culprit, however, is the administration's overall trade policy rather than the Japan dimension of that policy. Criticism of America's Japan policy was muted throughout 1993 while the administration was leading the multilateral efforts, successfully as it turned out, to conclude the Uruguay Round and NAFTA and to move toward freer trade in the Asia-Pacific region via the APEC summit in Seattle. Most observers noted that even in its Japan effort the administration rejected all proposals to erect new barriers to American imports and sought to open Japan to imports from all sources rather than just from the United States.

In early 1994, however, all one could see of American trade policy was unilateralism: the threats to remove most-favored-nation status from China and tariff preferences from Indonesia, the renewal of "super 301" retaliation authority and the like. There was no coherent strategy and lots of ad hoc reaction to daily events. The world suddenly feared that the administration's Japan policy was an indication of its true intentions across-the-board rather than the aberrant it had appeared to be during Clinton's first year, especially since most of his multilateral successes represented completion of an agenda inherited from George Bush.

Hence the response to critics of the administration's Japan policy is not to change the policy (except for a few details). Until some new government in Japan demonstrates an ability to liberalize to benefit Japan's own economy, the infamous *gaiatsu* (external pressure) will unfortunately continue to be needed and, contrary to Bhagwati, will almost certainly help rather than hurt the reform process in Japan itself.

The administration must, however, get its trade policy back onto the primarily multilateral track that produced the spectacularly successful triple play (Uruguay Round, NAFTA, and APEC) of late 1993. Its effort to renew global trade talks at the G-7 summit in Naples, though poorly prepared, was a good start in that direction. The extensive agenda of leftover issues from the Uruguay Round provides an excellent opportunity to launch new multilateral initiatives in the GATT. At the regional level, the APEC summit in Indonesia in November and the Summit of the Americas in Miami in December provide similar opportunities. The administration can counter most criticisms of its Japan policy by reclaiming leadership of the global trading system over the coming months.

C. FRED BERGSTEN
Director, Institute for International Economics

Jagdish Bhagwati replies:

Regrettably, Fred Bergsten's commentary on my article on Japan repeats some popular misconceptions that have driven the administration's unfortunate Japan policy. This is puzzling, not merely because these misconceptions have been challenged and clarified often enough, but also in view of the increasing embrace of my views (e.g., ex-Ambassador Armacost's recent op-ed in *The New York Times*).

Specifically, the issue is not whether Japan has trade barriers, but whether they are so "off the curve" that Japan qualifies for "exceptionalism." Bergsten

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argues that "econometric analysis demonstrates that Japan's markets are uniquely closed." But the facts are otherwise: Gary Saxonhouse at the University of Michigan has compiled a list of 11 studies to the contrary for nonexperts.

Bergsten agrees on the virtues of multilateral resolution of disputes on collusive practices, etc., but argues that the GATT does not cover these issues. Not really. Article 23 can in principle be used for almost anything that allegedly leads to "nullification and impairment" of a contracting party's trade obligations. Thus, while competition policy will be treated extensively only at the future WTO, nothing prevented us from using Article 23 and GATT auspices to adjudicate complaints impartially in this area. Of course, we would then have been as likely to be defendants as plaintiffs. Read the business section of your favorite newspaper and you will see the endless flow of anticompetitive practice cases that go through our courts and are only the tip of the iceberg.

Bergsten's contention that Japan "will make concessions only when faced with firm deadlines and threats of retaliation" is too simplistic. Has not Japan made concessions at the successive GATT rounds, where trade concessions are exchanged on a reciprocal basis, not unilaterally extracted? Does Japan not resist our demands because we use one-way, bilateral *gaiatsu* aimed at one-way concessions, almost always based on unilateral assertions of violated obligations? When was the last time that we made significant trade concessions unilaterally?

When the dust of our disagreements has settled, Bergsten's concluding remarks favoring multilateralism leave him on the side of angels. That is good news indeed.

DEMOCRACY TRUMPS NATIONALISM

To the Editor:

Michael Lind's "In Defense of Liberal Nationalism" (May/June 1994) overlooks several lessons from history and trivializes the task of carving small states from larger, multinational entities. Though some small states have proved viable, the vast majority have not. Small states face daunting security problems and are handicapped by reduced economies of scale.

When small states do survive, it is usually because of exceptionally defensible borders (like Switzerland's) or the largess of greater states. (Napoleon marched into Andorra and found it too charming to conquer.) Even ardent advocates of nationalism in the nineteenth century such as Ernst Renan recognized that there were limits to how small a viable nation-state could be. With 3,000 potential nations waiting to claim statehood, where would Lind draw the line?

The author also never confronts the practical reality that many national communities do not conform to tidy geographic boundaries; they are scattered throughout large regions or multiple states, their numbers thoroughly intermixed and intermarried with other nationalities. How, then, to form them into a territorially based nation-state without the most absurd sorts of gerrymandering (not to mention ethnic cleansing and mass deportations)? The patchwork ethnic map of Bosnia should have forewarned us that any attempt to create a Bosnian nation-state was doomed to failure.

The distinction Lind draws between liberal and illiberal nationalism is a useful scholarly abstraction, but it rarely applies in the real world. Genuinely liberal

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nationalism usually emerges only after a nation-state has achieved independence within secure borders. Prior to that, the violent struggle in pursuit of the nationalist cause almost always favors illiberal policies. Where in the former Soviet Union or Yugoslavia has liberal nationalism emerged?

According to Lind, successful multinational states are a rare phenomenon. He cites only three (Switzerland, Belgium, and Canada), curiously overlooking the United States and the United Kingdom. Also unmentioned is the reality that even the most venerable nation-states today once consisted of multiple provinces, nationalities, and ethnic groups who over time came to assume a single national identity. France, Germany and Spain were no more homogenous three centuries ago than many multinational states of today. People of different backgrounds can learn to live together and even assume a common identity.

Finally, Lind is simply wrong in declaring that the idea that every nation should have its own state has been "the most powerful political force of the past two hundred years." Far more influential have been the doctrines of inalienable individual rights and democratic government, concepts that among other things have enabled the most multinational polity of all, the United States, to endure. (Lind presumably would not have endorsed Southern secession, but that is where his approach inexorably leads.) Lind too casually dismisses the democratic option. There is great wisdom in de Tocqueville's dictum that democracy makes every man forget his ancestors. It remains a far more workable formula for stable governance than endorsing every nationalist claimant that comes along.

BRUCE D. PORTER
Department of Political Science, Brigham Young University

CHINA'S BUBBLING ECONOMY

To the Editor:

Richard Hornik ("Bursting China's Bubble," May/June 1994) is wrong to belittle China's economic accomplishments and wrong about China's "ability to nurture sustained economic growth." Since the early 1980s, China's economy has grown about 8 percent annually, and the real income of the average Chinese family has more than doubled. Total trade grew from $39 billion in 1983 to $195 billion in 1993, and China has become the fourth-largest exporter of goods to the United States. State-owned enterprises now produce less than half of China's industrial output. These dramatic changes are not bubbles that will vanish when the latest real estate boom ends.

China has serious economic problems, including an inadequate tax system, inefficient state enterprises that soak up subsidies, and weak control of the money supply. But there are also great strengths: a savings rate approaching 40 percent of GDP, a commitment to use trade and foreign investment to encourage technology transfer, and economically pragmatic leaders. China has also avoided massive borrowing from abroad to finance consumption and the overvalued exchange rates that led to crises in Latin America.

China is taking steps to solve its problems. A new value-added tax, with 75 percent of the revenues going to Beijing, will help reduce budget deficits. New

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rules requiring the government to finance its remaining deficit with bonds will help the central bank control the money supply and reduce inflation. Investment bankers may be too quick to advise people to put their money into China, as growth will certainly decline from the torrid 12 to 14 percent rate of the current boom. But pessimists like Hornik should not ignore China's accomplishments and strengths or underestimate its potential.

GEOFFREY CARLINER
Executive Director, National Bureau of Economic Research, Inc.

ZHIRINOVSKY'S JAPANESE MODEL

To the Editor:

In "The Zhirinovsky Threat" (May/June 1994), Jacob Kipp touches upon one of the most intriguing aspects of Russian economic reform, the concept of a Japanese model for transforming Russia into a modern industrial power, with which the political and economic strategists of Zhirinovsky's Liberal Democratic Party (LDP) seem well acquainted. Russian policymakers under Yeltsin, encouraged by Western powers and the International Monetary Fund (IMF), have tried to impose U.S. market principles that are totally unsuitable for Russia. Instead of blindly following the IMF model, Russia would do well to use the Japanese postwar experience, which provides a powerful example of a mixed economy and the role that the government can play in setting guidelines for industrial restructuring.

In May 1992, a special mission from the Japanese Ministry of International Trade and Industry (MITI) presented its blueprint for Russian economic reform. Unlike the IMF prescription, the MITI plan stresses the value of centrally guided policies. It outlines a number of similarities between the current state of the Russian economy and that of Japan's immediately after World War II, including falling output, shortages of raw materials, the breakup of state monopolies, and the need to convert military production to civilian needs. The plan advocates the establishment in Russia of high-priority production programs to ensure the supply of essential goods and the education of a new class of managers who understand market economics.

It is not surprising that Japanese-style economic nationalism should appeal to Russian nationalists. It helped Japan avoid becoming an economic colony of Western capital, so why should it not help Russia? The question is whether Zhirinovsky's LDP could deliver the same results as the Japanese LDP.

JANUSZ MONDRY
Research Officer, Nissho Iwai Corporation

KISSINGER AND KENNAN

To the Editor:

Henry Kissinger's "Reflections on Containment" (May/June 1994) is an interesting exegesis of George Kennan's "The Sources of Soviet Conduct" (July 1947), but it does not do justice to Kennan's views. Kennan was misunderstood because his important pronouncements contained a double message. The first part, aimed at liberals, was that it was impossible to cooperate with a regime whose leaders depended on a hostile external world to maintain their internal power. The second essential part was that the Soviets were not ten feet tall. On the

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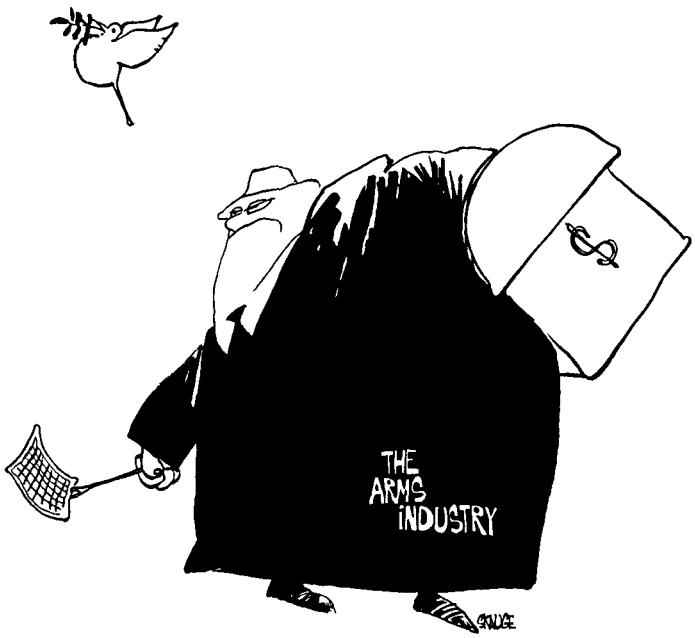

SKAUGE, NORWAY. CARTOONISTS & WRITERS SYNDICATE

contrary, they were in the throes of a crisis at home and were overextended abroad.

What Kennan did not immediately see was that while the first part of the message was plausible to a lay audience, the second part was much less so and seemed inconsistent with the first. Thus the second part, and the policy recommendations that followed from it, tended to be discounted or ignored. In fact, the second part of Kennan's message was based on a unique feel for Soviet reality and his own highly refined intuition. The notion that the Soviet Union was implacably hostile to but also much weaker than the United States and therefore not a serious threat was simply not credible to those whose image was based not on firsthand knowledge of the regime's backwardness but on the performance of the Red Army and on Soviet ruthlessness at war's end. Kennan, in other words, had been behind what he thought was the Potemkin village of Soviet power. His audience had not.

JOHN L. HARPER
Associate Professor, The Bologna Center of the Johns Hopkins University Nitze School of Advanced International Studies

SMALL IS LETHAL

To the Editor:

Ethan Kapstein's assumption that a monopoly position in weapons sales provides a tremendous opportunity to shape the international security environment ("America's Arms-Trade Monopoly," May/June 1994) reminds me of H. L. Mencken's saying that for every complex problem there is almost invariably a simple explanation that is almost invariably wrong. While it is likely true that in the future the United States will be the sole producer of the world's most advanced weaponry, it is also irrelevant.

The collapse of the bipolar system

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means an increase in wars that are distinctly low-tech and do not require advanced conventional weapons systems. The weapons of choice are far more likely to be small arms, including semiautomatic rifles, machine guns, rocket-propelled grenades, and land mines. Contrary to the downward trend in major weapons sales, trade in light weapons seems to be on the increase. Arms surpluses in NATO and former Warsaw Pact nations and the increasing availability of arms on black and grey markets fuel this problem. Even if America does dominate the arms trade in advanced conventional weapons systems, it will make little difference in the present and future killing fields around the world.

DAVID ISENBERG
Senior Research Analyst, Center for Defense Information

IN MY OWN DEFENSE . . .

To the Editor:

My treatment of U.S. arms sales policy in *And Weapons for All* clearly struck a nerve with your reviewer, and the result was an emotional outburst, not a book review (Recent Books, July/August 1994). My book is a sharp critique of U.S. arms transfer policies of the past 25 years, but it is neither unfair nor one-sided, as your reviewer implies.

I address the rationales for a robust weapons export program and give specific examples of how key arms deals justified on these grounds have been detrimental to U.S. security. My point is not that advocates of the current U.S. role as the world's leading arms-supplying nation are either "stupid" or "venal," but that a narrow focus on the short-term benefits of weapons exports has prevented the U.S. government from pursuing a policy of arms-transfer restraint, despite the long-term security and economic benefits of such a policy.

WILLIAM D. HARTUNG
Senior Fellow, World Policy Institute, New School for Social Research

WHAT I REALLY WROTE WAS . . .

To the Editor:

Many of your reviewer's statements about my book, *Revolution Until Victory? The Politics and History of the PLO,* are simply untrue (Recent Books, May/June 1994). The book discusses in detail why the PLO succeeded—most simply because it had broad and growing support among Palestinians and sufficient support from Arab states. Second, it is absurd to say that I write only of a "sudden move toward making peace with Israel only after the defeat of Iraq in the Gulf War." I discuss at great length, of course, the previous debate in the PLO—especially in the aftermath of the 1982 defeat, the attempts by Arafat to work with Jordan, and the major step toward a new policy in 1988 and thereafter.

As my editors are well aware, the book needed surprisingly little revision after the announcement of the Israel-PLO breakthrough. I have never believed in the PLO's demise. My original conclusion said that a peace agreement would come when Arafat made the decisions needed to reach peace with Israel.

BARRY RUBIN
Tel Aviv

William B. Quandt replies:

Barry Rubin and I have different readings of the history of the PLO and differ-

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ing judgments about how well he presents that history in his book. I did not mean to imply that he makes no mention of the mass support that the PLO gained or that he never refers to internal debates over how to come to terms with Israel. He does. But my assessment of his book remains that it pays insufficient attention to those matters, and therefore does not prepare the reader for the events that led to the Oslo accords. His book may have needed little revision after the Israel-PLO breakthrough, as he says, but it could have used more analysis of how the PLO won popular support and then inched toward its acceptance of a two-state agreement with Israel—and it could have used some good old-fashioned fact-checking as well. Those were the important criticisms I made in my review, and I stand by them.

HOW THE GULF WAS WON

To the Editor:

Eliot Cohen's "Tales of the Desert" (May/June 1994) illustrates several oddities that continue to pervade analyses of the war. First, the U.S. government's inability to understand Saddam's motives was not only an American failing; both President Mubarak of Egypt and King Fahd of Saudi Arabia had contrived a mediation between Iraq and Kuwait that they expected to end in a fleecing of the emir. When Saddam invaded instead, they concluded that his motives ran beyond Kuwait to the domination of the Middle East.

Second, the coalition created by President Bush required lots of tending, but it was less unwieldy than might be imagined. There was an inner coalition of Saudi Arabia, the Persian Gulf states, Egypt, and Turkey. So long as that held, the United States could make war.

Third, the United States (and others) fully expected Saddam to fall following Iraq's defeat. Schwarzkopf's decision to allow Iraqi helicopters to fly even after they violated the agreement that they be used only for civilians may reflect a judgment that a coup was imminent. Why shoot down the would-be coup makers?

Finally, if it has to fight at all, the Pentagon would prefer to repeat Desert Storm. But America's adversaries know that we can win that sort of war, and they will take care not to challenge us that way again.

HARVEY SICHERMAN
President, Foreign Policy Research Institute

EISENHOWER'S REMORSE

To the Editor:

Contrary to Stephen Ambrose's assertion in his review of Jonathan Aitken's *Nixon: A Life* (Recent Books, July/August 1994), there is significant corroboration for reports that President Eisenhower changed his mind later in life about his conduct of the Suez crisis. Richard Nixon recounted on several occasions his own discussion with Eisenhower, in *The Times* of London (January 28, 1987), as well as in the letter to Julian Amery quoted by Jonathan Aitken:

> Years later, after he had left office, I talked with Eisenhower about Suez: he told me it was his major foreign policy mistake. He gritted his teeth as he remarked, "Why couldn't the British and the French have done it more quickly?" He went on to observe that the U.S. action in saving Nasser at Suez didn't help as far as the Middle East was concerned. Nasser

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became even more anti-West and anti-United States. We agreed that the worst fallout from Suez was that it weakened the will of our best allies, Britain and France, to play a major role in the Middle East or in other areas outside Europe.

Nixon confirmed in a letter to me that this conversation occurred at Eisenhower's Gettysburg farm in the fall of 1967—after Nasser's recklessness in May of that year had produced another Middle East war. In May 1967, as that crisis was heating up, Israeli Ambassador Avraham Harman visited Eisenhower at Gettysburg and heard a similar confession by the former president that he had made a mistake at Suez. This was recounted to me by Israeli officials.

PETER W. RODMAN
Director, Middle East Studies, Center for Strategic & International Studies

COUP DATE-AH

To the Editor:

F. Gregory Gause's "The Illogic of Dual Containment" (March/April 1994) contained an error. The Truman administration declined in 1952, not 1953, to support the efforts of the Anglo-Iranian Oil Company to oust Premier Mohammed Mossadeq. In 1953, the United States supported such a coup.

ROBERT G. HEIMERL
Arlington, Virginia

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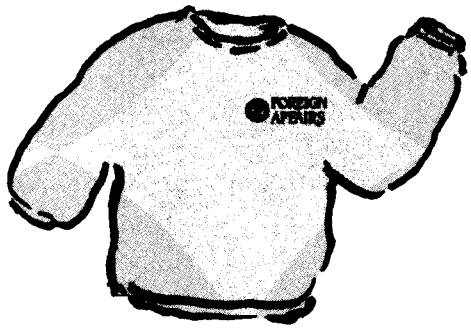

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